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BUDGET SUMMARY

Minimum Lending Rate cut to 12%

INTEREST RATES: MLR down from 14 to 12 per cent. Bank of England, after talks with financial institutions on money market operations, will aim to keep very short-term interest rates within unpublished band. Practice of announcing MLR to be phased out "in due course." Reserve asset ratio, now being phased out, to cease as minimum requirement after talks with banks.

RELIEF FOR BUSINESS: Assistance for large energy users, including more flexible electricity pricing. British Gas to hold renewal prices for gas sold under contract to January, 1981, levels until December 1. Normal quarterly price escalation for gas provided on continuous basis not to be applied during period.

External financing limits for gas and electricity industries up £120m in 1981-82 to compensate. Some £50m to be paid in grants over two years towards cost of conversion from oil-fired boilers to coal.

Changes in Development Land Tax to aid construction industry. Tax deferral on industrial development for owner's use to be extended for two years to other types of owner development (such as commercial and hotel). No charges on property extensions not increasing building by over one-third (now one-tenth). DLT lowered for builders buying land for residential development. Total cost of DLT changes £5m in full year.

Allowance on new industrial buildings up from 50 to 75 per cent. Cost will rise to £25m by 1984-85.

Reform of stock relief broadly as in November's Green Paper. But "credit restriction" (no relief on stocks financed on trade credit or borrowing) not to be in 1981 Finance Bill. Cost of reform on 1981 profits, where tax mostly payable 1982-83, will be £450m. Includes £75m cost of dropping "credit restriction." Cost in 1981-82 around £180m.

SMALL COMPANIES: Enterprise package to encourage new and existing small businesses. New measures include loan guarantee scheme up to £50m annual limit. Loans for up to seven years, government guaranteeing 80 per cent. Full commercial rate, including guarantee premium payment, to be charged.

Also, tax-free threshold on redundancy payment up from £10,000 to £25,000 to aid job mobility and business formation. From 1981-82, three year trial of relief against income tax up to £10,000 a year for outside and minority investors in certain new small trading companies.

Tax relief on money borrowed to invest in close companies (where control limited) extended to industrial co-operatives and partnerships.

Extra clauses planned in Companies Bill allowing companies to buy own shares. Inland Revenue asked to issue Green Paper in summer on corresponding tax changes for small and family businesses; aim to legislate next year. Cost of enterprise package £50m in full year.

Banks liable for profits tax

BANKS: Special 2.5 per cent tax on "windfall profits." Levied once-for-all on non-interest bearing sterling deposits over £10m averaged over last three months of 1980. To produce estimated £400m in three instalments over second half 1981-82.

OIL COMPANIES: New tax, Supplementary Petroleum Duty, as outlined in November. Imposed at 20 per cent of oil and gas revenues, after 1m tonne a year allowance for each field. Deductible for petroleum revenue tax and corporation tax liability. Excludes gas sold to British Gas Corporation pre-1975. Payable monthly. Refundable for fields not recovering full initial development expenditure. Effective for 18 months to June 30, 1982; talks on possible alternative long-term measures. With changes in PRT reliefs, estimated North Sea revenues: £3.75bn in 1980-81, £6bn in 1981-1982.

DIRECT TAXATION: No change in personal allowances and thresholds. Commons to be asked to approve resolution authorising non-implementation of Rooker-Wise indexation provision.

TAX AVOIDANCE: Changes, to take effect from yesterday to ensure that individual pays tax on benefit from assets transferred abroad. Decision results from Vestey case. Rules governing taxation of capital sums paid by trusts also to be amended.

CAPITAL TAXES: Rollover relief for Capital Gains Tax extended to gifts into trust to avoid double charge to both Capital Gains Tax and Capital Transfer Tax. Cost £15m in full year.

Lifetime transfer provisions refurbished, new scale extending from ½ to ⅔ of full (death) rate. Annual exemption for lifetime gifts up from £2,000 to £3,000. Cumulation limited to ten years. Twenty per cent relief for "let" farm land.

Legislation on discretionary trusts next year. Meanwhile final extension of the transition period to March 31, 1983, or March 31, 1984, where an application has been made to a court.

INDIRECT TAXATION: Changes will yield about £2.4bn in 1981-82 and full year. Increases are about twice as much as needed simply to compensate for 15 per cent inflation in 1980.

DRINK: Duty up from today adding (inclusive of VAT) about 4p on pint of beer, 12p on bottle of wine, 25p on bottle of sherry, 60p on bottle of whisky. Yield £500m in 1981-82 and £510m in full year.

TOBACCO: Duty up from midnight March 13, adding 14p to 20 cigarettes (including VAT). High-tar surcharge abolished. Yield £500m in 1981-82, full year £510m.

VEHICLE EXCISE DUTY. Up by approximately 15 per cent from today. Car duty up from £60 to £70. Yield £225m in 1981-82 and in a full year.

CAR TAX: Extended from April 1 to motor cycles, scooters, and mopeds. Yield £10m in 1981-82, and £15m in full year.

PETROL DUTY: Up from 6 pm last night adding about 20p a gallon (including VAT). Yield £910m in 1981-82 and in a full year.

DERV: Duty up from 6 pm last night adding about 20p a gallon (including VAT). Yield £270m in 1981-82 and in a full year.

FUEL OIL: No change.

LIGHTERS: Duty up from today from 20p per lighter to 50p; matches, duty up, adding ½p to a box. Yield £15m a year.

Expenditure tops £104bn

PUBLIC EXPENDITURE: Estimated to rise to £104.2bn in cash terms in 1981-82 but is unchanged in volume terms. This compares with estimated outturn of £93.7bn for 1980 which is a big increase on the total of £91.5bn forecast in last year's Budget.

The Public Expenditure White Paper shows a planned fall of 4 per cent by 1983-84.

SPENDING REVIEWS: Public spending from 1982-83 onward to be planned in terms of cash available for each year.

CASH CONTROL: Contingency reserve will be introduced as a cash control from coming year. Extension of cash limits will be treated as a charge on the reserve, which will be set at £2.5bn—about 2.5 per cent of total public spending.

MONEY SUPPLY TARGET: New target range for broadly-based M3 to be annual rate of 6-10 per cent in 14 months to April 1982. M3 stays as medium-term policy yardstick. Aim still to cut monetary growth to 4-8 per cent by 1983-84. Better information planned on narrower indicators. Monetary base figures to be published later this month. New statistical series for banking system's retail deposits, M2, later in year. Narrow indicator, M1, may grow faster, for time, than last year as interest rates ease.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 10½pc 1999	£82½	+ ½
BTR	398	+ 10
Barratt Develops.	198	+ 7
Blue Circle	366	+ 6
Cardiff Property	110	+ 15
Hewitt (J.)	59	+ 6
Kean and Scott	50	+ 4
Tube Invs.	204	+ 8
NCC Energy	118	+ 8
Malaysia Rubber	191	+ 5
Assoc. Mins. Cons.	122	+ 20
Gencor	850	+ 50
North West Mining	70	+ 6
Poseidon	222	+ 16
Renison	525	+ 50
UC Invs.	470	+ 30

FALLS

Avana	210	− 8
Barclays Bank	380	− 10
Empire Stores	124	− 6
Freemans (SW9)	114	− 8
Greenall Whitley	109	− 5
HK Shanghai Bnkg.	165	− 10
Lloyds Bank	292	− 16
Manganese Bronze	28	− 5
PMA	28	− 5
Robertson Foods	150	− 6
Scholes (G. H.)	213	− 12
Sedgwick Grp.	121	− 9
Vitatron N/V	130	− 25
Whitbread A	144	− 5
Wigfall (H.)	178	− 7
Shell Transport	402	− 8

DEARER PETROL, DRINK, TOBACCO ● INCOME TAX UNCHANGED

Howe shifts burden to consumer

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TAXES on wage-earners and consumers will rise substantially in real terms to finance additional public spending and to allow a reduction in public sector borrowing and lower interest rates.

Minimum Lending Rate was cut by two points yesterday to 12 per cent, exactly in line with money market interest rates. This led to immediate cuts in some bank base rates and is likely to mean a fall in building society mortgage rates by the end of the week.

Sir Geoffrey Howe, the Chancellor, set himself two objectives in his third Budget. The first is to strengthen and carry forward the medium-term financial strategy for reducing inflation. The second is to help redress the balance between the personal and business sectors and between the public and private sectors.

The financial objectives are intended to be achieved through a very large increase in taxation. The direct impact of the Budget is estimated to reduce public sector borrowing by £3.29bn, down to a forecast level of £10½bn in 1981-82.

The second objective of improving the balance in the economy is being carried out by loading the tax increases primarily on to wage-earners and consumers and the financially well-placed North Sea oil companies and banks.

In contrast, industry will receive some limited selective help, aimed particularly at bulk users of energy and at small businesses. The cut in MLR will also ease some of the pressures on industry.

Additional tax and expenditure help for industry will cost roughly £320m in 1981-82 while the new bank tax will bring in £400m and the North Sea oil tax will raise roughly the expected £1bn.

The increase in customs and excise duties on tobacco, alcohol, cars and petrol will raise £2.42bn in 1981-82.

Consequently, the main effect of the higher taxes is to offset extra public spending rather than to cut industry's tax burden.

The Budget will also have a major impact on the distribution of income following both the rise in the real burden of taxation last year and the increase in employee National Insurance contributions announced last November to take effect from this April.

The failure to raise income tax allowances and higher rate thresholds in line with inflation will increase revenue by £1.9bn in 1981-82. It also means that hundreds of thousands of low-paid people who do not pay income tax now will start doing so in the coming year as their earnings rise above the starting point.

This will increase the disincentives to work and marginal rates of tax at the lower end of the income scale.

The combination of this move and the sharp rise in indirect taxes on cigarettes and beer will hit the poor more than the wealthy and will thus intensify inequalities, despite a rise in child benefit.

In addition to trying to shift the tax balance, Sir Geoffrey yesterday proposed a major change in the financial balance via new methods of financing public sector borrowing.

The most important innovation is a new index-linked gilt-edged stock for pension funds. The first £1bn issue was announced yesterday; both interest and principal will be related to the retail price index.

This marks both an important step forward for the principle of index-linking and a significant widening of the range of funding.

A new short-term marketable security may also be introduced later this year and more finance is being sought from the personal sector to help lessen the pressures of traditional gilt-edged offers. In particular, the starting age on the inflation-proofed "granny bonds" is to bee cut from 60 to 50 and a new bond linked to the value of the British National Oil Corporation's oil is to be introduced later this year.

The need for such funding initiatives is underlined by accompanying Budget documents which show how public spending and borrowing have risen above the levels expected when the strategy was first published a year ago.

Public sector borrowing in the 1980-81 financial year ending in April is expected to be £13½bn compared with the forecast of £8½bn a year ago. This is chiefly because of higher public expenditure caused both by the recession and by overspending on the defence budget and by local authorities.

The outlook is little brighter for the coming financial year. After the substantial overshoot in 1980-81 the volume of spending is expected to show little change in 1981-82, instead of the 1 per cent decline projected last November. Moreover, this is based on the assumption that public sector costs, notably wages, will rise by 1 per cent less than the increase in prices in the economy generally over the coming year.

The result is that the share of public expenditure in Gross Domestic Product is likely to be about 45 per cent in 1981-82 compared with 44½ per cent in 1980-81.

The aim remains a reduction to 41 per cent by 1983-84 (roughly the same as in Labour's last year) in view of the projected 4 per cent cut in the volume of expenditure by 1983-84 and the slow recovery expected in Gross Domestic Product.

The statement on the medium-term financial strategy says the projected level of public spending implies a tax burden "significantly higher" than the Government would wish. "For this reason the Government regards the level of public expenditure as requiring the most serious attention during the 1981 survey." This indicates that

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Public spending to remain unchanged next year

BY ANATOLE KALETSKY

AN ENFORCED upward revision in the Government's spending plans will leave the volume of public expenditure unchanged next year relative to this year's level.

The difficulties of cutting public spending either in the present or the next year was given by the Chancellor as one of the main reasons for the Budget tax increases. In 1982-83 and 1983-1984 the Government still plans to reduce public spending dramatically.

Public spending, excluding debt interest, is expected to rise from £93.72bn in 1980-81—itself 2.5 per cent higher than planned—to £104.19bn in 1981-1982 in cash terms.

This gives no change in the volume of public spending between this year and next. Last year's Public Expenditure White Paper showed a planned reduction of 1.2 per cent.

The result will be to make public spending volume in 1981-1982 3.7 per cent higher than the Government planned in last year Budget, after overshoot.

At present prices the overrun in public spending in the current financial year is estimated at £2.13bn in the Financial Statement and Budget Report.

As a result of this increase and the decline in economic output, public spending has risen as a proportion of gross domestic product for the first time since 1975.

General Government expenditure on goods and services for 1980-81 increased to 25 per cent of GDP from 23 per cent in the previous two years.

Even as recently as last November, when the Chancellor announced spending cuts of £1.4bn (which have been taken into account in next year's spending figures) the Government expected to be able to keep public spending for 1981-82 down to within 1½ per cent of its plans.

The deterioration in economic prospects since then and the large commitments made to BL, British Steel and the National Coal Board account for the much higher figures announced in yesterday's Budget.

The severity of the recession has raised spending on unemployment benefits and special employment measures by £750m, and led to an increase of £825m in the nationalised industries' external financing requirements for the current year.

British Steel's financial crisis accounted for £671m of this additional money and the Ministry of Defence for a further £260m of this year's overspending.

The other main factor accounting for this year's overspending and for the upward revision in plans for next year has been the level of public-sector pay settlements.

In future years the whole public expenditure planning process will be carried out in cash terms, as well as volume terms, to make Departments and pay negotiators focus more clearly on "how much cash is actually available" for their spending.

The Chancellor stressed that despite the disappointments of expenditure control the current year, the Government secured a reduction of 3½ per cent in volume of spending relative to the plans laid for this year by the Labour Government

Markets adjust to tough stand

BY CHRISTINE MOIR

INTERNATIONAL AND domestic markets were adjusting last night to their impression that the Chancellor had made a tough reaffirmation of the Government's continuing commitment to a medium-term strategy of monetary control.

With a remarkable degree of consensus, brokers, money dealers and market makers agreed—with varying degrees of surprise—"there has been no U-turn."

Immediate effects of the Chancellor's statement were:

● Two major clearing banks cut their base rates following the cut in Minimum Lending Rate. Barclays also cut its home mortgages rate from 15 to 14 per cent.

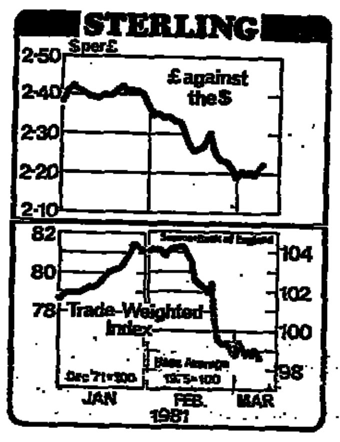
● Building societies leaders warned that as other forms of savings had been made more attractive societies' hopes for a cut of 1 percentage point in their 14 per cent mortgage rate might be upset.

● The pound began to rise, closing almost 1.5 cents up on the day.

● Gilt prices were set to rise today while widespread falls were expected in equities.

The pound's rise is widely expected to turn into a substantial recovery of the losses of the past few weeks.

At the close it was $2.2285,



possibly slightly exaggerated by the dollar's reaction to rises in prime rates in the U.S., but well able to accommodate the covering positions adopted by speculators who had hoped for a cut in Minimum Lending Rate of 3 percentage points rather than 2.

The note of caution was not far behind, however. Brokers de Zoete and Bevan summed up the market's fears that the Government might be doing "too much too soon" and that its admittedly "adventurous and credible" plans "might turn into a deflationary spiral."

Nevertheless, the gilts market was poised to make significant gains in first dealings today, encouraged by what market operators saw as pointers to reduced inflation in the medium-term, a range of financial instruments which would take the pressure off the capital markets, and the prospects for the pound.

Jobbers, brokers and institutional investors varied only in their degree of optimism.

Some thought long gilts should be "reasonably good over the next few days," while others thought the relative strength lay with gilts rather than equities over the next six months. Some thought the prospects "positively bullish."

The surprise introduction of an index-linked gilt stock for pension funds only was still being digested, but it was not seen in the main as a detraction to the gilts market. Some considered it as having

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£ in New York

—	Mar. 9	Previous
Spot	$2.2055-2060	$2.1850-1870
1 month	0.63-0.70 pm	0.75-0.82 pm
3 months	2.10-2.20 pm	2.25-2.35 pm
12 months	7.30-7.50 pm	7.60-7.90 pm

Industry shows disappointment

BY ALAN PIKE AND CHRISTIAN TYLER

THE widely-welcomed reduction in Minimum Lending Rate did not succeed in relieving an overall reaction of disappointment at the Budget from industry, while union leaders saw the Budget proposals as evidence that the Government was set on a relentless course.

Sir Terence Beckett, director-general of the Confederation of British Industry, described the Chancellor's measures as disappointing: "The deflationary effects of the Budget will offset the benefits of lower interest charges for most of industry."

Industry, said Sir Terence, would have liked the reduction in interest rates sooner and "more is now needed." The Chancellor had responded to CBI recommendations on small businesses, some energy prices, in part on stock relief, and had given some help to the construction industry. "Otherwise he has done nothing to help business."

Disappointment was particularly acute in industries with a high consumption of energy, which had hoped for firm action to reduce industrial electricity and gas tariffs, and for a cut in heavy fuel oil duty.

Industrialists in sectors like steel, chemicals, foundries and paper and board had hoped for more positive action after last week's report from a National Economic Development Council task force which showed that large industrial consumers were at a disadvantage on energy prices compared with Continental competitors.

The British Steel Corporation, which uses more than 1m tonnes of heavy fuel oil a year, is disappointed that the duty has not been reduced.

According to the British Paper and Board Industry Federation, the Budget was "bitter disappointment." All the industry had been offered on fuel costs was "some concession as yet unquantified" on high-volume tariffs, and it feared this would be more than offset by the extra £3m it would have to spend on the higher diesel fuel-oil tax.

London Chamber of Commerce, while welcoming the "belated" cut in MLR and measures to help small businesses and new start-ups, said the climate for industry and commerce after the Budget must remain grim.

Mr. David Owen, president of Birmingham Chamber of Commerce, called it a "shocker for industry."

In similar terms, the British Institute of Management said that the Budget was a "profound disappointment" to business and management. Modest measures such as the drop in MLR and stock relief modifications would be inadequate to encourage industry to compete with abroad.

Mr. Len Murray, TUC general secretary, described it as a "no-hope Budget," and said that the Government was continuing to go "in the wrong direction."

He seized on the effect of the tax increases on the retail price index as inconsistent with the Government's declared aim of bringing down the rate of inflation.

Mr. Roy Grantham, general secretary of the clerical workers' union APEX, said the Budget provided "a further dose of monetarist poison" and would throw at least 500,000 more people on to the dole.

Mr. Ken Gill, general secretary of TASS, the Union of Engineering Workers white-collar section, who is a Communist, described the Budget as "suicidal."

"This Budget, against all the advice from both the CBI and the TUC, has done nothing to reverse a disastrous trend."

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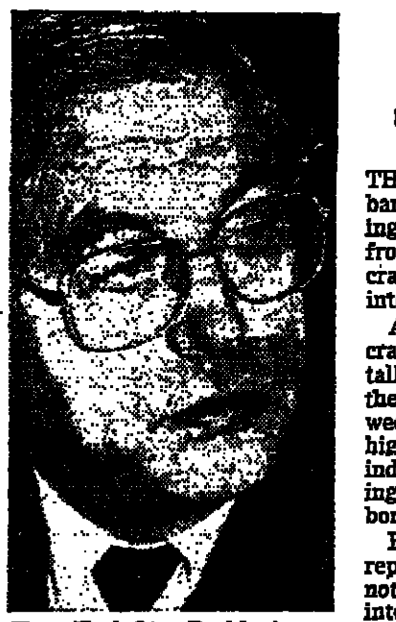


Herr Karl Otto Poehl: in an uneasy position.

Bundesbank under pressure to ease interest rates

BY JONATHAN CARR IN BONN

THE WEST GERMAN Bundesbank, the central bank, is coming under growing pressure from the ruling Social Democrat party to moderate its high interest rate policy.

A delegation of Social Democrat parliamentarians will hold talks with Herr Karl Otto Poehl, the Bundesbank president, next week to stress the view that high interest rates are throttling industrial investment and forcing up the cost of Government borrowing.

Herr Poehl is felt certain to reply that the Bundesbank cannot change its policy so long as international interest rates — particularly those in the U.S. — remain high, and West Germany has to attract capital to finance its current account deficit.

The Bundesbank can also argue that its tough interest rate stance at home has been a key factor in swinging the Deutsche Mark round to become the strongest currency in the European monetary system, after being one of the weakest.

This development has clearly scotched for the moment suggestions made by some West German economists that the Deutsche Mark should either be devalued within the EMS or leave the system altogether.

However, behind the intensified Social Democrat pressure is a feeling that, even if international interest rates were lower, the Bundesbank would continue to concentrate on a domestic squeeze to force the rate of inflation further below its current annual level of 5.8 per cent.

Bluntly, it is suggested that the central bank council is dominated by conservative forces prepared to endure a higher jobless figure than the present 1.3m to bring down an inflation rate already low by international standards. This view is naturally not spoken out loud and it is not shared by the whole coalition Government — at least not in precisely this form.

Herr Hans Matthoefer, the Social Democrat Finance Minister, has called for an overall cut in international interest rates. In this context, he feels, West German rates too could fall and help boost the flagging domestic economy without increasing the danger of an outflow of capital. Herr Matthoefer's Free Democrat Economics Ministry colleague, Count Otto Lambsdorff, believes that while such international action would be helpful it is not realistic to expect it.

Herr Poehl is in a peculiarly uneasy position both as head of an institution which is highly jealous of its independence and as a member of the Social Democratic party. But there has been no sign that his party allegiance has affected his judgment as a central banker.

● WEST Germany still hopes to co-operate with France on some elements of battle tank construction, even though it believes the project for joint production of a wholly new tank cannot be carried out. This was underlined here yesterday following reports of dismay in Paris that Herr Hans Apel, the West Germany Defence Minister, had come out against the tank plan.

Chancellor Helmut Schmidt and President Valery Giscard d'Estaing conferred by telephone on Monday and it is believed that the tank issue was one of the topics discussed. However, no details have been revealed

Under an accord signed last year, the two countries were to develop a new battle tank for the 1990s and the company was established to look into the legal, technical and financial issues involved. However, it has long been clear here that both the parliamentary budget and defence committees opposed the plan, saying it was militarily unnecessary and financially wasteful.

Even Herr Apel, in a parliamentary hearing late last year, made clear that political rather than military considerations were uppermost. The squeeze on Bonn's defence budget now means that financial issues have become the most important.

EUROPARLIAMENT MAY QUIT GRAND DUCHY

Luxembourg faces big financial loss

BY WALTER ELLIS IN LUXEMBOURG

POLITICAL and financial problems are looming for Luxembourg as it becomes increasingly likely that the Grand Duchy will be dropped as a site for the European Parliament.

The governing bureau of the parliament decided yesterday to hold its special session on EEC farm prices in Strasbourg, and it is felt that no more parliamentary sessions may be held in Luxembourg.

The parliament's various political groups have created a separate secretariat in Brussels which parallels the official secretariat in Luxembourg.

The tendency to strengthen links with Brussels and Strasbourg is likely to continue, and the possibility arises of an eventual withdrawal by all parliamentary staffs from Luxembourg.

There are about 2,000 parliamentary officials in the Grand Duchy, and it is estimated that they contribute about BFr 7bn (£92m) out of a total of BFr 70bn in consumer spending each year.

Staff of the European Commission and the European Court make up the majority of EEC employees in Luxembourg, but parliamentary officials still account for about 30 per cent and their withdrawal would have serious consequences.

The Government of the Grand Duchy could be expected to fight the move. It is made clear in the Treaty of Rome, however, that MEPs are not required to meet in plenary session outside Strasbourg.

The bureau of the parliament also decided yesterday that essential officials only would be brought from Luxembourg to Strasbourg for the special session later this month.

Staff have been complaining of the strains of travelling regularly between Luxembourg, Brussels and Strasbourg.

Fisheries Ministers search for solution

BY OUR BRUSSELS STAFF

EEC FISHERIES Ministers were last night still looking for the key that could unlock the way to success in their six-year struggle to establish a Common Fisheries Policy.

Britain and France appeared as far apart as ever on the vital question of "access"—the Community code word for the arrangements under which coastal waters claimed by one member country would be opened to Community-wide fishing.

Mr. Gerrit Braks, of the Netherlands, the current President of the Council, was last night sounding out Ministers' views on whether he should present refined compromise proposals to the Ministers later in the night. The alternative seems to be complete deadlock, with the matter then being put before the European Heads of Government summit meeting in the Netherlands on March 23 and 24.

The European Commission yesterday tabled new proposals for a licensing system in a wide area around Scotland which, officials hoped, could form the basis for compromise and then act as a model for other EEC waters.

Britain rejected the proposals, however, as offering nothing new towards accommodating British demands for preferential rights in coastal waters.

On the other hand, France, which is now winning more support from other member countries on the issue, remained equally firm in its stand that coastal waters beyond a 12-mile limit must be opened on an equal basis to all Community fishermen.

The Commission proposals called for the maintenance of an "exclusive" 12-mile limit around all Community coasts until 1992, with full historical rights in these areas allowed for countries with justifiable claims.

For the contentious areas around Britain's Orkney and Shetland Islands, the Commission proposed that since the 12-mile limit in this area was fished exclusively by the British, the problem could be settled on a national basis.

For the wider area around Scotland, up to a limit of 200 miles, the Commission proposed issuing licences automatically to all Community fishermen, but stopping fishing for individual countries immediately after their national quotas had been filled.

Mr. Alec Buchanan-Smith, Britain's Minister of State for Agriculture (left) and the Irish delegation, headed by Mr. Patrick Power, Dublin's Fisheries Minister (right), discuss EEC fishing policy.

MEP's pique costs Community £212,000

BY WALTER ELLIS IN STRASBOURG

AN EXHIBITION of pique by a member of the European Parliament is said to have cost the EEC exchequer £212,000.

Sig. Marco Pannella, an Italian Radical, has tabled no fewer than 600 amendments to a report on the Parliament's rules of procedure and, at an administrative cost per amendment of £354, the total is large even by the established standards of European profligacy.

Most of the amendments are not taken seriously by anyone—least of al Sig. Pannella—but could well prove as costly in the political as in the financial sense. MEPs are already under sustained attack for their alleged perks in areas of the world safely south of Europe and will not welcome the opening of a second front.

Sig. Pannella complains that he has only just received the rules report. He says he has not had time to study it and warns that if it is debated this week he will have no option but to employ his filibuster.

The European Democrats—a code phrase for the British Conservatives—have complained that Sig. Pannella is wasting valuable time and money in pursuing his vendetta. But, as of last night, the amendments stood, each one subject to costly translation into the Community's seven official languages.

The British Conservatives, meanwhile, have issued a statement demonstrating what they say was the efficacy of a recent recent visit to Australia and New Zealand by a group of MEPs, including three Britons. They say that the delegation arrived back with high hopes that top quality Scottish knitwear could be sold to "these difficult markets."

Mr. Alastair Hutton, representing Southern Scotland at Strasbourg, said: "We went there quite frankly with no great hopes of getting any promises of opening up markets.

"But we found government and civil service officials at all levels anxious to have closer relations with Europe . . . we were given pre-release information that (trade) restrictions are going to be greatly eased."

Danish compromise on N. Sea

By Hilary Barnes in Copenhagen

THE DANISH Government and the A. P. Moeller group have reached a compromise in the long-standing dispute over the company's exclusive concession to explore for oil and gas in the Danish offshore areas, according to Mr. Anker Joergensen, the Prime Minister. He said details of the agreement will probably be published today after it has been debated by the Social Democratic parliamentary group.

The Government had threatened to use legislation to deprive the company of its concession, which it exercises together with Texaco, Shell and Standard Oil of California in the Danish Underground Consortium. The company countered by warning that it would seek massive claims for compensation.

The compromise is understood to leave the consortium with rights to some of the most promising areas of the south-west corner of the Danish sector of the North Sea, where some oil and gas finds have already been made. But the consortium will relinquish its rights to all other areas, except where it has already made discoveries.

● A strike and lock-out, which will close all but nine of Denmark's 48 newspapers, is expected at the end of this month, after the main printers union rejected a wage offer. The union says it will call out members in all parts of the industry except newspapers but the employers have indicated they will counter with a lockout which will close most newspapers as well.

Pay agreement in Finland

By Our Helsinki Correspondent

THE FINNISH Government and most of the unions signed a general wage agreement yesterday granting a 12 per cent rise over two years. But unions representing some 40 per cent of the labour force of 1.5m rejected the accord, which also provides for two extra increases if the cost of living rises 6 per cent this year and 7 per cent next.

The unions rejecting the agreement were the 300,000-strong Confederation of Salaried Employees and the Metal Workers with 150,000

Irish jobless increase

The Irish jobless register rose 1,200 to 126,256 in February giving an unemployment rate of over 10 per cent of a potential 1.22m workforce, Stewart Dalby reports from Dublin.

Chirac attack on 'indecisive' Giscard

BY ROBERT MAUTHNER IN PARIS

M. JACQUES CHIRAC, the official Gaullist candidate for the French presidential election, due to be held at the end of April and the beginning of May, has launched a stinging attack on President Giscard d'Estaing's foreign policy.

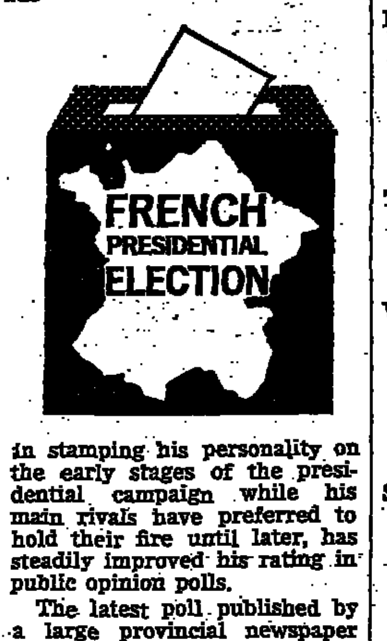
In a television election discussion programme on Monday, M. Chirac, who resigned as Prime Minister in August 1976 after a bitter row with M. Giscard d'Estaing, accused the President of conducting an indecisive and undignified foreign policy.

The Gaullist leader referred to "this astonishing pendulum diplomacy of ours, which consists of going first to one side and then to other, and as a result of which we are always in agreement with whoever we are talking to."

France had been extremely weak regarding the Soviet invasion of Afghanistan. The government had taken three weeks before reacting to the intervention, which was unworthy of a country that prided itself on being the home of human rights.

Subsequently, President Giscard had gone to Warsaw for a meeting with Mr. Leonid Brezhnev, the Soviet leader, which was interpreted by many as rubber-stamping the military intervention in Afghanistan. There was never any hope that the French President would be able to achieve anything worthwhile by meeting the Soviet leader at that stage, M. Chirac said.

"France has been greatly weakened by initiatives which never have a follow-up."



M. Chirac, who has succeeded in stamping his personality on the early stages of the presidential campaign while his main rivals have preferred to hold their fire until later, has steadily improved his rating in public opinion polls.

The latest poll, published by a large provincial newspaper gives him 18 per cent of the popular vote in the first round, as much as M. François Mitterrand, the Socialist candidate, and only 6 points less than M. Giscard d'Estaing. If this poll is a true reflection of public opinion, it would mean that M. Chirac stands a chance of going into the final ballot against President Giscard.

In his broadcast, the Gaullist leader made it clear that he considered M. Giscard d'Estaing, who has feigned to ignore him, as his main rival. M. Chirac's tactics are aimed at persuading the country that there is a credible alternative to President Giscard on the right of the political spectrum and that ousting the President would not mean the election of a left-wing government.

Soviet Union halts supply of cars to E. Germany

BY LESLIE COLITT IN BERLIN

THE SOVIET UNION has abruptly cancelled all deliveries of Lada cars to East Germany this year in order to sell them in the West, a move which has caused East Germany to cancel its planned export of cars to Poland and Czechoslovakia.

The Lada, a Soviet version of the Fiat 125, accounts for nearly 20 per cent of the East German car market and East Berlin was scheduled to receive more than 30,000 Ladas this year.

This latest move is one of a series of disruptions in Comecon trade, caused by economic problems in one country spilling into the other six members of the economic group. East European officials say Moscow told East Berlin the Ladas had to be sold in the West to obtain badly needed hard currency for fodder imports.

East Germany, in turn, informed Poland that it will be receiving only 500 East German cars this year instead of the planned 14,000. Czechoslovakia was told it would get only 1,000 cars this year, compared with 8,000 last year. East Germany mainly sells its tiny two-stroke Trabant car to the other Comecon countries, while importing larger cars such as the Lada and the Skoda.

The waiting time for delivery of a Lada in East Germany is 10 years.

Calvo Sotelo slips quickly in to role of statesman

By Robert Graham in Madrid

AFTER ONLY a week in office, Sr. Leopoldo Calvo Sotelo, the new Spanish Prime Minister, has established his authority and imposed his own style of government.

He has been helped by a closing of political ranks in the wake of the abortive February 23 coup. Nevertheless, even his critics concede that he has created a favourable impression in exceptionally difficult circumstances.

His most awkward task has been to try to reassure Spaniards that the coup attempt was a mere hiccup in the smooth transition from dictatorship to democracy. This reassurance, after the traumatic seizure of parliament and the wavering constitutional loyalty of several key generals, can at this stage only be achieved by legerdemain.

Everyone knows the situation is not yet normal. Ironically, Sr. Calvo Sotelo has been helped here by one of his most previously maligned characteristics—his air of permanent seriousness and inability to smile.

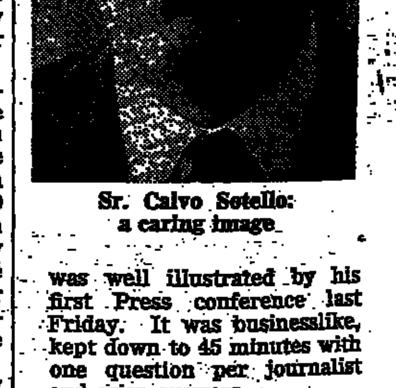
This trait now conveys the image of a man who cares about and understands the gravity of the problems that confront Spain.

With remarkable ease he has slipped into the role of statesman, betraying what the Spanish Press describes as "dignitas." He is, in fact, the opposite to his predecessor, Sr. Adolfo Suarez in nearly every way.

Sr. Calvo Sotelo has a highly groomed political pedigree with a famous uncle, Jose Calvo Sotelo, the Finance Minister, assassinated in the run up to the Civil War, and a string of relatives in high posts within his own Union de Centro Democratico, or in the Socialist Party and even the Communist Party. Sr. Suarez had to work his way up from a modest family in a provincial town.

Sr. Calvo Sotelo is a highly educated man with hobbies like music and astronomy; Sr. Suarez hardly read a book, and his sole passion was politics. Sr. Calvo Sotelo, aged 54, an engineer by training, had come to politics via banking and business, including being a board member of the chemical conglomerate ERT.

The new style of government



Sr. Calvo Sotelo: a caring image.

was well illustrated by his first Press conference last Friday. It was businesslike, kept down to 45 minutes with one question per journalist and crisp answers.

Sr. Calvo Sotelo, in his previous ministries, has been good with the media and seems anxious to make use of this potentially powerful instrument. In contrast, his predecessor, rarely gave Press conferences and, when these occurred, they were rambling affairs.

Another indication of the boardroom approach to government is the way he has sliced the bureaucracy of the Prime Minister's office.

Sr. Calvo Sotelo has also shown he understands the need for public gestures. Last week, for instance, when a senior police official was murdered in Bilbao by Basque separatists, he was on a 'plane within the hour flying to pay his respects to the dead man. This move created a strong impact not only in the Basque country but throughout Spain. Sr. Suarez was temperamentally against such things.

Sr. Calvo Sotelo says he will stick by the programme announced in Parliament when he sought a first vote of confidence just before the coup.

So far, he has concerned himself with sounding out the various political parties on how they will support his Government and policies. He has rejected the idea of a broad coalition, even though this solution is still being floated, especially by the Socialist and the Communist Party.

Instead he prefers to achieve a consensus on a number of clearly defined state matters —like dealing with the military.

Commentators believe that Sr. Calvo Sotelo's honeymoon will last for a while. But they are watching hard to see whether his negative traits will surface—his arrogance and a dislike of taking decisions.

Roger Boyes assesses the strategic options open to the West German Opposition Party after its congress in Mannheim

Christian Democrats seek an exit from the theatre of conformity

WEST GERMANY'S Christian Democratic opposition chose this week to rediscover its political mission in the bleak urban wasteland of Mannheim, an industrial centre with all the glamour and invigorating sparkle of Sverdlovsk on a wet Sunday night.

Russian analogies seemed curiously appropriate during the Christian Democrats' two-day party congress, which ran out of energy and wound up its business late on Tuesday night. Coming only a week after the Soviet Communist Party Congress, the style if not the substance of the Christian Democrats' congress invited serious comparison with that august assembly. There was the same absence of fundamental conflict — although the queues for coffee proved tricky at times — the same well-drilled enthusiasm during and after the Chairman's keynote speech, the same reverence and awe for the blue-suited leadership. It was, in short, a theatre of conformity.

Even the central message of the Moscow and Mannheim congresses was essentially the same: "There is no need for radical change in policies or political line-up because our policies have not been radically disproved or refuted."

Five months ago, the Christian Democrats registered their worst election result—or second-worst, depending on whether the defeat is measured by seats or percentages—in their post-war history. Yet in Mannheim, speaker after speaker stood up to declare the party had been right all along. The ever-present rows between Chancellor Helmut Schmidt and the Social Democratic Party's left wing, the rift in the Social Democrat-Free Democrat coalition, the tide of sympathy for right-wing government, the violent demonstrations in West German cities, the transatlantic tension — all demonstrated that the Christian Democrats' pre-election warnings had been correct and (implicitly) that the electorate had been wrong to vote for the coalition.

But what would the Christian Democrats actually do if the Bonn Government collapsed tomorrow? The fact of the matter is that the Christian Democrats have now been in opposition for over 11 years and are rather nervous about taking over power. "We are reconciled to staying in opposition for another four years," says Herr Helmut Kohl, the party's leader, and he certainly needs that *amount of time if his party is* to convert itself into a government-in-waiting. Dr. Rainer Barzel, a former contender for the Chancellry, said recently that the Christian Democrats were not presenting enough clearly defined alternatives: what was the party's definitive policy of West German arms sales to Saudi Arabia, for example?

Herr Kohl, left, would prefer his party to be critical but suportive in Opposition. Herr Strauss, right, favours a more aggressive line.

The answer is simple enough: the Christian Democrats' position on this and many other *foreign* and *even domestic* policy issues is essentially the same as that of Chancellor Schmidt. The electorate, now that the spectre of Herr Franz Josef Strauss has been exorcised, is being offered a choice between Herr Schmidt's policies and the Christian Democrat version of Herr Schmidt's policies. The difference seems to be that the Christian Democrats can carry them out more effectively because they are not hamstrung by a noisy and sometimes obstructive Left wing. But is that enough to win back the hearts and minds of the electorate?

Many Christian Democrat politicians evidently think not, although of course, the disagreement did not reach the Congress platform. The leadership's one concession to its crushing defeat at the October election was a grudging admission that it had lost contact with the youth vote —only some 34 per cent of voters aged 18-24 voted for them, compared with some 44 per cent in the nation as a whole. As a result, the most discussed theme at the Congress was the one seen as closest to young voters' hearts—housing.

This line is aimed not only at appealing to the young (although the current demonstrators and squatters are unlikely to flock to Christian Democracy as a result), but also at the liberal Free Democrats. The Christian Democrats are the strongest party in the West German Parliament, but have no chance of gaining power as long as the Free Democrats stay in alliance with the Social Democrats. Thus the combination of a liberal-conservative domestic policy, loud drum-banging loyalty to the United States and the Atlantic Alliance, and a commitment to the free market economy are seen as possibly alluring bait for the Free Democrats, who are beginning to lose patience with the Social Democrats' Left-wing.

Herr Strauss, leader of the Christian Democrats' Bavarian affiliate, who led the opposition into the election campaign against Herr Schmidt, believes the party should simply wait for the Free Democrats to "come to their senses." Yet, if Herr Strauss were as candid as he is witty, he would recognise that he has been one of the main obstacles to the Free Democrats changing horses.

The test for the Christian Democrats' discreet wooing of the Free Democrats will come at the West Berlin State elections, where the Christian Democrats are fielding a particularly enlightened candidate, Herr Richard Von Weizsaecker, against West Berlin's mayor, Herr Hans Jochen Vogel, a former Federal Justice Minister and a close ally of the Chancellor. Will the Berliners choose the liberal-conservative face of the Christian Democrats or the candidate specifically chosen and sent to West Berlin by the Chancellor? Herr Von Weizsaecker's dilemma symbolises that facing the party as a whole: should the party make itself deliberately attractive to the Free Democrats or should it campaign actively against the Free Democrats and force it out of Parliament? The answer is that he must try to do both and still retain credibility.

If the West Berlin strategy proves successful, this will stamp Christian Democrat policies for the next four years (unless the Bonn Government collapses beforehand), and it will shape the choice of the future challenger to Chancellor Schmidt. A softer approach to the Free Democrats may call for Herr Ernst Albrecht, Premier of Lower Saxony, a harder approach could favour Herr Gerhard Stoltenberg, Premier of Schleswig Holstein. But both men face regional elections in 1983, and until then Herr Kohl will hold the fort and strengthen his position in the party, slowly, subtly trying to fill the vacuum left by Herr Strauss's withdrawal from the federal arena.

The underlying tension between Herr Kohl and Herr Strauss will influence the party's policy for some time to come because they symbolise two differing schools of thought about the role of opposition: should the Christian Democrat mission be overwhelmingly that of an aggressive, alternative government (a view favoured by Herr Strauss), or should it be a mildly critical but more supportive Opposition (Herr Kohl's line)?

The kind of divine optimism that the Strauss line engenders was neatly demonstrated in a conversation overheard outside the Mannheim congress hall. As usual, the air had the texture, colour and purity of damp brown gaberdine. "It's going to rain," said Herr Kohl, maintaining the high level of dialogue which has characterised their relationship. "Yes," said Herr Strauss, "but not on us."

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BP's Australian coalfield victory comes under fire

BY COLIN CHAPMAN IN SYDNEY

THE QUEENSLAND State Government is under attack for the manner in which it has awarded the right to develop a rich steam coal desposit to a consortium led by British Petroleum.

The deposit, known as Winchester South, has estimated reserves of about 400m tonnes and total development costs have been put at A$500m (£260m). It gives BP its first stake in Queensland coal.

The speed of the Queensland Cabinet decision left competitors, and the State Treasury breathless. Until yesterday, the Treasury had been assuring inquirers that it would draw up a short list from the 32 consortia, involving 100 companies, and negotiate with a number of them to secure the highest royalty.

But Mr. Jo Bjelke Petersen, the Premier and Mr. Ivan Gibbs, his Mines Minister, evidently decided to short circuit this procedure and take the matter direct to Cabinet, to the fury of the Australian Labour Party and disquiet of several Ministers.

Mr. Gibbs described the BP tender as the "most outstanding." The consortium planned to be mining by 1984 from the upper higher quality Leichhardt seam and full production of 4m tonnes would be realised in 1986, he said.

The BP decision shows again how unco-ordinated the development of the resources boom is, and goes right to the heart of the Australian constitution.

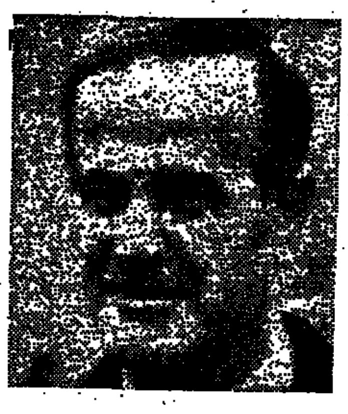
With varying degrees of fervour, the states are trying to pursue their own deals with multinational resources companies or smelter owners.

BP, which already has large coal operations in New South Wales, is expected to take a 50 per cent stake in the Winchester South consortium, with the remaining equity being shared equally by Westfield, the property development group, and Drayton Mining Development, a company controlled by Sir Leslie Thiess.

The decision has not been accepted by several backbench groups in the Queensland Government and questions are likely to be asked at today's Liberal Party and joint Government party meetings.

Syria talks on strife in Lebanon

By Ihsan Hijazi in Beirut



THE DETERIORATING security situation in Lebanon topped the agenda of a summit meeting in Damascus yesterday between Mr. Hafez Assad, the Syrian President, and Mr. Elias Sarkis, the Lebanese President.

Fighting between rival factions has led to the closure of all but one crossing point between the Christian and Moslem sections of the Lebanese capital.

The strife remains acute despite the continuing presence in Lebanon of about 22,000 Syrian troops and Syrian-commanded units of the Palestine Liberation Army.

The Syrian presence here is one of the issues over which Lebanese are divided. Christian Rightists, whose militias are now in control of most of the predominantly Christian areas, have asked for Syrian withdrawal, while Moslem and Leftist groups insist on a continuing Syrian role.

There are fears of a new blow-up which would take the country back to civil war.

Europe-Taiwan link could anger China

BY DAVID HOUSEGO IN TAIPEI

EUROPEAN GOVERNMENTS are expected to agree to establish more substantive links with Taiwan with new tariff arrangements likely to begin shortly.

The arrangements are bound to run into opposition from Peking, particularly after the controversial sale to Taiwan of submarines by the Dutch Government.

No European Government has diplomatic relations with Taiwan since the switching of formal recognition of China to Peking, but even this modest step would enhance Taiwan's political status and help it diversify its political and trade links away from dependence on the U.S. and Japan.

Changes in tariff arrangements spring from the sharp expansion of two-way trade between Taiwan and Europe, which soared to $5bn last year from about $300m ten years ago. Behind last year's growth was a 35 per cent rise in exports from Taiwan over the 1979 level which produced a trade deficit in Europe's disfavour of over $2bn.

Partly to forestall protec*tionist* pressures in Europe against its textiles, footwear and electronics goods, Taiwan last year embarked on a campaign to buy more capital goods from Europe, highlighted by the purchase of three European Airbuses.

It has followed this up with a recent proposal to the EEC Commission for discussions on a new tariff arrangement that would extend preferential tariffs to more European products.

Some European Governments are tying their support of the move to concrete evidence from Taiwan that it is putting a stop to the counterfeiting by Taiwanese manufacturers of components and textile goods. This has angered a number of *European producers.*

The EEC is anxious to minimise the political significance of the tariffs gesture, so as not to offend Peking. But the new arrangements would reflect the fact that Europe's trade with Taiwan is greater than that with mainland China and growing faster.

While China has cut back on plant equipment orders as part of its new retrenchment programme, Taiwan is dangling further plant orders before European industry.

Britain's NEI (Northern Engineering Industries) has been encouraged to bid for the contract for turbo generators for two new nuclear power stations.

Dutch companies are *reportedly* strong contenders to supply equipment for coal handling facilities needed by Taiwan in switching from oil to coal-fired power stations.

In line with the closer links with Taiwan, West Germany is to open a trade office here in April as most other European countries, including Britain, have done already. The trade representatives have no diplomatic status but are accredited as businessmen.

On the calculations of Taiwanese officials the tariff reductions will amount to a cut of an average of 15 per cent

European officials believe they will mean insignificant cuts of about 5 per cent, but that they would encourage Taiwanese purchases in Europe.

The cuts would be incorporated in the "double column tariff" system adopted here in September, under which so called friendly countries benefit from lower rates. The EEC is already counted as part of the friendly group but a formal document would extend the list of European products eligible for tariff cuts.

Where Iran's power struggle turned to war

BY TERRY POVEY IN TEHRAN

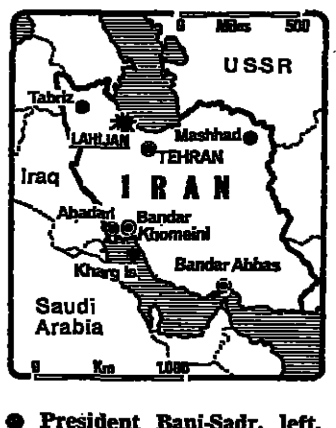
LAST FRIDAY a 15-year-old girl was shot and killed in the street in the northern Iranian city of Lahijan. "I saw them kill her," claimed the brother of the city's Member of Parliament. "The Revolutionary Guards just opened fire on her and her friend and she fell with blood pouring out of her. Moslems should not lie, and they are lying when they say she was stabbed," he claimed.

The dead girl, Sima Sabbagh-Khosghar, was buried last Saturday and, according to the death certificate, died of a stab wound to the throat. A local hospital official refused to talk about the case, whispering: "You must realise the repression here."

The girl was a member of the People's Mojaheddin organisation, a militant left-wing group which backs Mr. Abol-hassan Bani-Sadr, Iran's President, in his battle with the religious fundamentalists.

Her killing, and the way in which the cause of her death was concealed, presumably with the approval of the revolutionary authorities, highlights the increasing violence of the struggle for power in Iran.

"The President is now fighting for his political life, as well as for the future of the Republic," is how one of his supporters described the situation following last Thursday's fighting between fundamentalists and supporters of Iran's President during a rally in Tehran. He is now having to fight out the beginnings of what could become a civil war.



● President Bani-Sadr, left, is having to fight out the beginnings of what could become a civil war. The power struggle can be seen *most clearly in small provincial towns like Lahijan.*

The current power struggle, and perhaps the shape of things to come, can be seen most clearly in small provincial towns like Lahijan, set between the Caspian Sea and the range of mountains north of Tehran. Lahijan has long been a base for the radical and Left-wing groups, the strongest of which is the People's Mojahedin who support Mr. Bani-Sadr in his battle with the fundamentalists, the President's main opponents. Lahijan is ruled by a local governor, an Islamic Republican appointed by an Islamic Republican provincial governor who is, in turn, appointed by an Islamic Republican-run Interior Ministry in Tehran.

Mr. Jahan Panah, Lahijan's governor, in his late twenties and educated at Wichita University, Kansas, is assisted in running the city by its revolutionary judge, Hojatolislam Zeinobadin Gordani, who bases himself in the local Islamic Republican offices. Above Mr. Gordani at province level is another fundamentalist stalwart, Hojatolislam Abol Hassan Karimi, the revolutionary prosecutor, who in a speech in Lahijan last Saturday promised "to bring the President for trial to this very city."

The fighting in the town began in a small way, when fundamentalists clashed with members of the People's Mojahedin selling their banned newspaper. Some three dozen windows were smashed, and when a delegation of shopkeepers sought protection from the authorities, they were rebuffed. As a result, most shops closed for a week. Further demonstrations and protests in the city were broken up by Revolutionary Guards and militia members.

By the end of last week, Islamic fundamentalist newspapers in Tehran were claiming that *the governor's office and* the Revolutionary Guards' base had been seized by counter-revolutionaries. Roving revolutionary judge Ayatollah Khalkali spoke of a "People's Republic of Lahijan" having been set up.

There are few signs of this. Key government offices in Lahijan are undamaged, windows unbroken and the flower beds around the governor's office were immaculate. Shops had reopened by last Sunday, and some of their owners were having new windows put in.

But as arrests continue, tension in the narrow alleys and side streets remains high. Riding the streets of the city were teenage militiamen armed with automatic rifles to defend Islamic Republican control.

A local Mojahedin official said the authorities were raiding houses to find people on their wanted list, and that many of his group's members had fled the city to avoid arrest.

It is in the cities like Lahijan that Mr. Bani-Sadr looks for solid support. Events like last week's come and go, while the national power struggle remains unresolved. Pressure to be more effective as a leader of the opposition is pushing the President to declare his stand more openly than he might have wished. His opponents are insisting on unity on their terms for as long as the war continues, yet his own supporters are urging him to act soon. Close supporters of Mr. Bani-Sadr talk of "the need to be "more organised," but time may not be on their side. It was not on Sima Sabbagh-Khosghar's side, either.

Kampuchea constitution to be published

By Kathryn Davies in Singapore

THE PRO-VIETNAMESE Heng Samrin Government in Kampuchea, otherwise known as the People's Revolutionary Council, has taken a significant step towards consolidating its position, despite external diplomatic moves aimed at the creation of a neutralist government in Phnom Penh.

The Council has announced that a new constitution has now been drawn up and will be discussed by the general public, before being put to a national assembly for adoption.

The publication of a constitution adds fuel to speculation that elections will be held in Kampuchea, probably next month, although only members of the National Front for the Salvation of Kampuchea (the sole permitted political grouping) and "mass organisations" will be able to stand.

The procedure being adopted by the Kampucheans for choosing their constitution mirrors that of their Vietnamese mentors, whose own constitution was adopted last December after 20m people, according to the authorities, had given their views on the draft.

In Kampuchea some local elections have already been held, despite the difficulty of finding suitable candidates in the wake of the killings by the ousted Pol Pot regime.

Meanwhile talks in Pyongyang between Mr. Khieu Sampan, one of the leaders of Pol Pot's Khymer Rouge forces (officially recognised by the United Nations as Democratic Kampuchea) and Prince Norodom Sihanouk on the formation of a united anti-Vietnamese front appear to have foundered.

The Khymer Rouge has apparently refused to disarm 30,000 guerrillas operating in an area close to the Kampuchean border with Thailand, should the Vietnamese agree, or be forced, to withdraw.

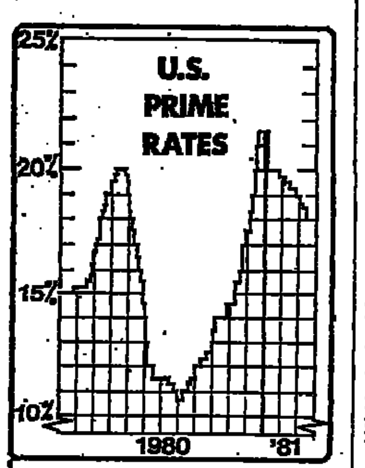
This tends to confirm the view of recent visitors to Kampuchea that a combination of the Khymer Rouge, with its record of murder and brutality, and anti-Communist forces under Prince Sihanouk would be unsuccessful in expelling Vietnam's 200,000 troops.

Prime rate down to 18% and further drop likely

BY IAN HARGREAVES IN NEW YORK

SEVERAL large U.S. banks yesterday cut their prime lending rates from 18½ per cent to 18 per cent.

Citibank of New York was the first to follow a trend set a day earlier by Ameritrust of Cleveland, but it was quickly joined by Chemical Bank, Morgan Guaranty and others.



The lower rate reflects sharp reductions in the banks' cost of funds in recent weeks. Short-term rates in the credit markets have slipped lower in response to weaker loan demand and there has ben an easing of pressure in the nation's money supply growth.

The decline in short rates, however, has not been accompanied this week by a decline in yields on bonds, where a heavy slate of new Government and corporate issues is underpinning high rates.

Recent indications that the economy may be cooling down slightly, including two successive drops in the monthly leading economic indicators, have encouraged credit alalysts to believe that the prime will drop at least another percentage point soon.

Three-month certificates of deposit, a good monitor of the large banks' cost of funds, were trading yesterday at a little over 15 per cent, suggesting that there is still room for a downward move of the prime.

President considers unleashing the CIA

BY OUR U.S. EDITOR IN WASHINGTON

PRESIDENT REAGAN is considering whether to ease the restrictions imposed by former President Carter on the Central Intelligence Agency's freedom to operate inside the U.S.

A CIA official yesterday denied a New York Times report that an inter-agency task force created by Mr. Reagan had already forwarded specific recommendations to the President. He said this was still some weeks away.

Under a presidential order, signed by Mr. Carter in 1978—itself an extension of curbs on the CIA imposed by President Ford in the wake of disclosures of the extent of its domestic activities — the agency is not permitted to engage in electronic surveillance in the U.S. and is severely restricted in making any domestic "surreptitious entries."

Mr. Reagan assumed power on a promise to do all he could to combat international terrorism and subversion. It was with this in view that he ordered Mr. William Casey, the new CIA director, and other departments involved in intelligence, to take a second look.

The New York Times report charges that the orders needs wholesale changes to permit electronic spying, break-ins without a judicial warrant, infiltration of domestic organisations and surveillance of foreigners in the U.S. without the Carter requirement that there be "reasonable belief" that they are foreign agents.

According to the Times report, the Carter directives prohibiting the agency from assassinating foreign public figures and conducting psychological experiments on humans would not need changing.

If Mr. Reagan were to unleash the CIA, it would undoubtedly prompt a domestic outcry.

U.S. BUDGET GOES TO CONGRESS

Reagan hopes for more than half a loaf

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE POLITICAL prognosis for President Ronald Reagan's economic package has changed considerably since it was first outlined last month and may change again as the real battles unfold in Congress in the weeks ahead.

The most surprising element evident to date is that his tax cuts are proving vastly less popular on Capitol Hill than his intended surgery on Federal spending.

This stems from the widespread feeling that though last year's election gave him an undoubted mandate to cut the budget and reduce the role of the Federal Government it did not give him free licence to practise untested economic theory on the country.

There is particular doubt over the wisdom of tying the country into the rigid three-year Kemp-Roth tax cut schedule, which, though beloved by conservatives and seen by the architects of the Administration's package as an integral part of policy, is seen by moderates of both parties as containing too many inflationary risks.

Even such staunch Republicans as Senator Robert Dole from Kansas, now chairman of the Finance Committee, have expressed public reservations about the shape of the tax bill. Mr. Dole, like his Democratic counterpart, Senator Russell Long from Louisiana, has lingering affection for the more targeted approach he helped draw up last year, but which languished in the legislature.

From a tactical standpoint, moderates of both parties would prefer that progress on the tax bill and in the budget-cutting exercise proceed closely in tandem. This is what the Administration wants as well, though at a much faster pace.

There is irony, of course, in that the Democrats, classically the party of lower taxes, should be baulking at deep tax cuts while the Republicans, traditionally more cautious fiscally, are for pushing ahead.

The thrust for the democratic criticism of Mr. Reagan's approach is, of course, that it too heavily favours the affluent. Although the Administration wants what it calls a "clean bill" — containing simply a a blanket 10 per cent tax cut on the one hand and accelerated depreciation for business on the other—the likelihood is that Congress will lump the two together and insert some considerable variations of its own, giving the poor more tax breaks and the rich fewer. This could be a lengthy process.

The story, however is remarkably different when it comes to Federal spending. Some of Mr. Reagan's more socially sensitive cuts in spending will probably not survive: on Monday, for example, a Republican-controlled Senate committee voted to spare some programmes in its jurisdiction, including legal aid to the poor, black lung benefits for coal-miners and some education grants, from the worst of the axe.

Yet, though some tough individual battles are anticipated, the current view is that Mr. Reagan could well get at least 80 per cent of the cuts he wants, though at some political cost.

There are some caveats to this forecast. The Administration, and especially the President himself, will have to keep up the pressure on Congress and not let matters slide, as President Jimmy Carter did from time to time in his long fight for his energy policy.

If Mr. Reagan gets embroiled in some foreign adventure (El Salvador springs to mind) which Congress does not like, he will create a rallying point for his opponents, who currently are somewhat cowed and divided among disparate special interest groups.

But the same Republican-controlled committee on Monday did back $9bn-worth of spending cuts, compared with the $11bn he wanted. This is rather better than the 80 per cent level, which is itself a much bigger slice than the half a loaf which Congress has in recent years been inclined to give the President.

WHERE THE AXE FALLS

	Carter (fiscal 82) $bn	Reagan (fiscal 82) $bn	Change $bn
Defence	184.4	188.8	+4.4
International affairs	12.2	11.2	−1.0
Science, space technology	7.6	6.9	−0.7
Energy	12.0	8.7	−3.3
Natural resources, environment	14.0	11.9	−2.1
Agriculture	4.8	4.4	−0.4
Commerce and housing credit	8.1	3.1	−5.0
Transport	21.6	19.9	−1.6
Community, regional development	9.1	8.1	−1.0
Education training, employment social services	34.5	25.8	−8.7
Health	74.6	73.4	−1.2
Income security	255.0	241.4	−13.6
Veterans benefit	24.5	23.6	−0.9
Justice	4.9	4.4	−0.5
General government	5.2	5.0	−0.2
General purpose fiscal assistance	6.9	6.4	−0.5
Interest	89.9	82.5	−7.4
Allowances	1.9	1.8	−0.1
Undistributed offsetting receipts	−31.9	−32.0	−0.1
TOTALS	739.3	695.3	−44.0

Transferring authority to states

BY OUR U.S. EDITOR IN WASHINGTON

ONE OF Mr. Reagan's main promises as a Presidential candidate last year was that he would turn over as many federal programmes as he could lay hands on to state and local authorities.

The details of his budget yesterday demonstrate that he has gone quite some way towards redeeming this pledge. But at the same time he has not spared local government from the budgetary axe.

Any U.S. budget has two key lines in it: actual outlays and the authority to spend. The first is the most widely watched from both an economic and immediate practical standpoint. The second has longer and, in some instances, more profound implications for the direction of Government.

Thus the centrepiece of Mr. Reagan's proposals to change the relationship between federal and local government is the conversion of 84 "categorical" federal programmes into six largely untied block grants.

Forty-four of these programmes, to be converted into two block grants, concern education. The other 40 (to become four grants) deal with a wide variety of social services.

Yet what the federal government is ceding in the way of authority it is simultaneously taking away in terms of money. Under the Reagan package, the intended actual outlays for flows from Washington to the states in the 1982 fiscal year will be cut from the $99.8bn (£45bn) of President Carter's last budget to $86.4bn (39bn).

But the President is proposing an even steeper reduction in the overall budgetary authority, from $116.9bn to $86.2bn in the 1982 fiscal year.

In the budgetary documents released yesterday, the Administration put its case more bluntly. It argues that the main criteria should be the "usefulness" of federal aid to local authorities. The excessive federal regulation that comes with federally administered programmes, it contends, often detracts from that goal.

Transferring authority, it goes on, should relieve local government of the burden of finding matching funds for federal programmes, as well as the planning, reporting and record-keeping requirements that go with central control.

What concerns critics of this approach is that the states are themselves, like programmes, far from equal. Some have administrative capability, others do not. Some are on sound financial footing, others not. Some have long records attesting to the provision of adequate social services while the commitment of others is in doubt.

Given the disparity, the federal Government had played at times an effective, if sometimes overbearing, equalising role in ensuring that minimum standards were maintained.

Big increase in defence aid to friendly nations

BY OUR WASHINGTON CORRESPONDENT

THE ADMINISTRATION is proposing a big increase in security aid to selected countries in the Middle East and Central America in the 1982 fiscal year starting on October 1.

The so-called 1981-82 budget authority in this area will be raised by $900m (£407m). But by a curious manoeuvre, actual spending on military security aid next year will only rise $100m, because the U.S. Government would tap a new arms buying fund it intends to set up for friendly countries.

This new concept, which emerged in yesterday's budget, would be a revolving fund. Since foreign countries would pay into the fund well before money was paid out to U.S. arms contractors, the convenient effect at the start would be to give the Reagan Administration extra cash in hand.

Thus, the latest security aid increases do not raise the foreign aid budget plan proposed by President Reagan on February 18 by very much overall. That was $2.6bn below what President Carter had requested for fiscal 1982, principally because the U.S. has reduced its first and second year contributions to the 1980-83 replenishment of the World Bank's International Development Association. In addition, funding for the Export-Import Bank will be cut.

Since the February 18 budget announcement, the Administration's preoccupation has been with El Salvador and a military boost for anti-Soviet forces in the Middle East.

Besides selling Saudi Arabia more arms, the Administration is planning to step up aid to some poorer U.S. friends such as Egypt, Turkey, Jordan, Sudan, Kenya and Somalia.

El Salvador is to receive, it is reported, an extra $40m in economic aid and $25m credit to buy arms

Backing for nuclear power

By David Buchan in Washington

NUCLEAR POWER is the only energy sector to win increased Government support in President Reagan's final proposed budget for 1981-82. This would leave non-nuclear energy sources more private industry and market forces to develop.

By the latest revised arithmetic, the President is proposing energy spending of $8.7bn (£3.9bn) in the coming fiscal year, starting on October 1. This is a substantial cut from the level President Carter suggested in January of $12bn, and includes reductions in coal and synthetic fuels, solar energy and general conservation.

The new budget, though, requests more money for cleaning up the stricken Three Mile Island reactor and for commercial nuclear waste treatment.

The controversial Clinch River fast breeder reactor—kept minimally alive by Congress against repeated Carter Administration attempts to kill it as an uneconomic project—would revive under the Reagan proposals with more than $200m set aside for it.

Some people — Mr. David Stockman, the budget director, among them—have argued that fast breeder development should be left to private industry in accordance with the general thrust of Reagan energy policy.

But the Clinch River scheme is popular among congressional Republicans and and important to Senator Howard Baker, the Republican majority leader, in whose home state of Tennessee it is sited.

The new budget has, however, no money for a pet project of Mr. James Edwards, the energy secretary—revival of the closed Barnwell nuclear reprocessing plant in South Carolina.

The biggest energy saving proposed by President Reagan would stem from switching synthetic fuel support from the Energy Department to the Carter-created Synthetic Fuels Corporation which will match risk capital from the private sector.

Hong Kong will resist UK bid for import curbs

BY RHYS DAVID

HONG KONG has given notice that it will resist strongly any attempt by Britain to secure tighter restraints on low-cost textile and clothing imports at the GATT Multi-Fibre Arrangement negotiations which take place later this year.

The colony, which carries out its own yearly analysis of UK textile trade, is arguing that since the MFA II came into force in 1977, Hong Kong's share by value of UK textile and clothing imports has fallen from 16 per ecnt to an average annual 13 per cent, while the less developed country (LDC) block as a whole slipped back from 32 per cent to 30 per cent.

The main beneficiaries of this reduction in the LDC share, according to the Hong Kong government, have been other EEC countries which increased their share of the UK market by value from an average of 38 per cent per annum under MFA I to 42 per cent per annum under MFA II.

The total OECD share went up from 65 per cent to 67 per cent, with the centrally-planned economics managing only a 3 per cent share during the life of both the first and second MFA agreements.

"Our findings once again fully vindicate our complaints that high-cost suppliers are benefiting under the MFA at Hong Kong's expense," Mr. Bill Dorward, Trade, Industry, and Customs director for the colony claimed in London yesterday.

The survey rejects arguments being put forward to the UK Government by the British Textile Confederation and others for the next agreement to limit imports to the rate of growth in demand in the market, and to incorporate a recession clause, enabling quotas to be reduced if market growth slows down.

The proposal to tie imports to the level of demand ignored the fact that, since the war, international trade had expanded at a faster rate than domestic economies, with rising import penetration being matched in fully competitive industrial sectors by increased export sales.

The recession clause proposal is dismissed as unnecessary. During 1980, the Hong Kong authorities argue, the LDC suppliers were only able to hold on to their 30 per cent share of a reduced market—evidence that they already experienced a decline in sales during recession.

Mitsubishi to assemble range of trucks in Ireland

TOKYO — Mitsubishi, one of the leading Japanese vehicle makers, announced yesterday that it will start assembling light, medium and heavy-duty trucks in Ireland in April.

Mitsubishi said it had already started exporting parts for knock-down production.

Mitsubishi signed a contract last spring with McCairns Motors, its sole distributor in Ireland. Under the contract, Mitsubishi ships parts to McCairns in Dublin, which is to assemble trucks and market them in Ireland. Sales will begin in April.

Mitsubishi does not have any plans to export the trucks to other European markets.

The deal has been welcomed by the Irish Government as a means of providing jobs and as in line with the active government policy to attract foreign businesses.

Agencies

Stewart Dalby adds from Dublin: McCairn Motors of Dublin confirmed yesterday that in the past month they have started to assemble trucks in conjunction with Mitsubishi. The trucks are exclusively for the Irish market and are of the standard six tonne and nine-tonne type.

A company official said that they have already received 70 non-fully-built-up vehicles and would anticipate that the annual market for this kind of truck in Ireland is about 300.

Davy wins Libya fertiliser contract

By Sue Cameron, Chemicals Correspondent

DAVY McKEE Oil and Chemicals, parts of the UK-based Davy construction and engineering group, has won the management consultancy contract for a $1bn fertiliser complex in Libya.

Davy is thought to have beaten French, Italian and American competitors for the contract, which has been awarded by the Libyan Secretariat for Heavy Industry. The contract covers management consultancy work, management supervision and technical assistance for the fertiliser project which is to be built at Sirte.

Industry experts reckon the contract won by Davy is worth at least £10m but yesterday the group refused to disclose the value.

Davy is thought to have high hopes of winning contracts for the later phases of the fertiliser project.

The complex will include two ammonia plants, two urea units, a nitric acid plant and an ammonium nitrate plant.

France given go-ahead on toy imports ban

BRUSSELS — The European Commission yesterday reported it had authorised France to stop imports of toys from Hong Kong which are threatening its industry.

France has set a quota for these imports, but it found that it was bypassed through other Common Market countries which freely imported Hong Kong toys and exported them to France.

The Commission said the imports rose from FFr 161m (£15m) in 1978 to FFr 237m in 1979. Their share of the market increased from 10 per cent to 13 per cent during the same period.

The French share of the domestic market, meanwhile, dropped from 58 to 53 per cent the commission added.

Last week, the EEC approved a French ban on the import of Japanese colour television sets, whose shipment into France through third countries exceeded France's annual quota of 88,000 Japanese sets.

AP-DJ

S. Africa still Zimbabwe's main trade partner

BY TONY HAWKINS IN SALISBURY

South Africa supplied 35 per cent of Zimbabwe's imports, excluding petroleum products, in the August-November period last year, and it acquired 19 per cent of the new African nation's exports during the same period to comfortably remain Zimbabwe's largest trading partner.

The figures, published by the Zimbabwe Central Statistical Office, show that South Africa's share of Zimbabwe's external trade, excluding petroleum and gold, was 27 per cent.

The figures for the four-month period, the only months for which regional trade figures are available, indicate that Zimbabwe's support for economic sanctions against South Africa is, for the moment, unrealistic in view of its dependence on its southern trading partner. listic rather than practical.

Britain was Zimbabwe's second largest supplier of imports during the four-month period with sales worth Z$25.5m (£17.6m) representing just over 10 per cent of total imports. This compares with South Africa's Z$86m. West Germany was in third place with Z$21m or 8.5 per cent of total imports.

On the export side West Germany has become Zimbabwe's second largest national market, after South Africa importing goods worth Z$32m while the UK was in third place buying imports from Zimbabwe worth Z$14.7m.

Both countries are well behind South Africa, which purchased imports worth Z$52m from Zimbabwe (£36m).

West Germany was Zimbabwe's second largest trading partner during the four-month period with more than 10 per cent of total trade—again excluding gold and petroleum—while Britain was in third place with nearly 8 per cent of the total.

Observers expect the West European and North American share of the Zimbabwean market to increase this year as importers diversify links and as some of the contracts awarded for major investment projects such as the Wankie thermal power station, Wankie colliery expansion and the electrification of the railways start to show in the trade figures.

In any event Zimbabwe's trade links with South Africa are far less important than its transport dependence on Pretoria. It is estimated that upwards of 85 per cent of Zimbabwe's external trade including oil is with or through South Africa and dependence on the South African transport system is shared by Zambia and Zaire, which export fluctuating amounts of their copper traffic via South Africa.

Not only is Zimbabwe reliant on the South African ports and transport system for transit traffic, but Zimbabwe Railways is leasing wagons and locomotives from South Africa.

An estimated 30 per cent of Zimbabwe's diesel locomotive fleet is off the rails awaiting repair or maintenance. The railways attribute this to the shortage of skilled workers and mechanics.

There are fears in Salisbury that the transport position will worsen considerably in the latter half of 1981 due to the seasonal build-up of traffic—maize, coal and fertilisers—on the Zimbabwe, South African and Zambian systems.

It is thought highly likely that South Africa will withdraw some of its rolling stock and diesel locomotives from Zimbabwe to meet its own traffic demands.

In addition, Zimbabwe's increasingly hostile stance towards Pretoria — mirrored in Salisbury's vote in the UN General Assembly last week in favour of sanctions against South Africa — could elicit an economic response which would seriously damage the Mugabe Government's economic programme.

GATT postpones its approval of Lome Convention

BY BRIJ KHINDARIA IN GENEVA

APPROVAL of the Common Market Lome Convention with the 54 African, Caribbean and Pacific Ocean countries has been postponed by the General Agreement on Tariffs and Trade (GATT) because of reservations by developing countries not included in the Convention.

In its role as a regulator of world trade, GATT's acceptance of the Lome Convention, signed last October, would have given international legitimacy to the Community's privileged links with those countries, although some other developing countries frown on special deals that favour particular groups of Third World nations.

The main critics of the Lome Convention are Asian and Latin American countries, which complain that preferences enjoyed by them in trade with the Community are eroded by the larger trade concessions given to the Lome Convention countries.

The Asian and Latin American raw materials producers feel that the Lome Convention undermines their efforts to get price stabilisation agreements for major, internationally traded commodities. The reason for this is that the Convention contains an innovative scheme called STABEX, which creates special deals between the Community and the main raw materials suppliers within the Convention countries, aimed at stabilising export incomes. The scheme has been in operation for almost a decade.

For the Community the convention has special importance because member countries include almost all the major African minerals and raw materials suppliers of European industry. Large sections of the mining industries in those countries are also in the hands of Europe-based companies, particularly French and Belgian ones.

In its communication to GATT's decision-taking council, which met here yesterday, the EEC said one of the convention's main features is the Community's determination not to seek reciprocity for trade concessions given to developing country members.

That reflects the EEC's will "to contribute to the development efforts of convention states in keeping with the aspirations of the international community towards a more just and more balanced economic order."

A special working group will now be created to study the convention's implications.

Anthony McDermott, recently in Amman, reports on UK's role in an influential area

British companies enjoy success in Jordan

BRITAIN WON contracts worth £100m in Jordan and exported goods worth the same value last year.

In both cases Britain has been running neck-and-neck with West Germany, and, although the market is small by Middle East standards, it is influential.

Above all, British companies have been holding more than their own and look like doing so at least for the period of the new development plan.

Jordan's population is about 2.3m. Investment in the 1976-80 development plan was about $1.6bn The new five-year plan, whose final details are still being argued out before official presentation next month, will exceed Jordanian dinars 2bn (£2.9bn). This makes it a miniature besides the Saudi Arabia 1980-85 plan, in which investment will exceed £100bn.

Jordan is a market of importance disproportionate to its size.

First, for Britain, the overall good reputation of its companies and historical links mean that the 50 or so which have their regional and local offices here comprise nearly three-quarters of the foreign commercial presence.

British companies are, thus, well placed to hold their position in the market.

Second, Jordan's geographical position has made it an important staging post for goods going to and from Syria and Lebanon, the Arabian Peninsula and, above all, Iraq. The war between Iraq and Iran, has induced something of a boom in Jordan.

Third, Jordan's exports and re-exports to Britain—about £9m last year—are such that the trade contribution to Britain's balance of payments is not to be ignored.

The three largest contracts won by British companies in the past two years are: George Wimpey International, a £63m civil works project connected with the Dead Sea potash works; Rolls-Royce, a £30m deal to supply RB-211 engines and spares for five Lockheed Tri-Stars for Alia, the state airline; and John Laing, a £19m contract for the construction of an armoured vehicle repair complex for the armed forces. Laing also won a contract in 1978 for involvement in the new Queen Alia International Airport worth Dinars 18m (£26m), but with additional civil works contracts which could be worth more than twice that.

Inevitably, for the 1981-85 plan the priorities of the Government will be different from those of the previous plan. The emphasis of the as yet unpublished plan is likely to be on developing agriculture, building houses and schools, and expanding the potential of potash and phosphates.

In addition, the construction of housing, schools and roads, will be of considerable priority.

Money supply rise accelerates in February

BY DAVID MARSH

THE rise in the money supply accelerated last month, while Government borrowing during February was running at about double the previous year's rate, according to official figures published yesterday.

A gloomy set of Budget-day statistics also included news of a further large jump in industry's raw material prices last month, although the annual rate of wholesale price inflation continued to fall.

Spending in the shops is, however, still holding up well despite the recession. Revised figures issued yesterday show that retail sales in January were even higher than first thought, registering a sharp increase from December thanks largely to buoyant New Year sales.

These were the main statistics published yesterday:—

● Provisional Bank of England figures show that sterling M3, the broad definition of the money supply which the Government uses as its main monetary yardstick, rose by a seasonally adjusted 1 per cent in the banking month of February, following a rise of 0.7 per cent in January.

● The central Government borrowing requirement totalled £737m in February after repayments of £1.72bn in January, compared with borrowing of £345m in February 1980. According to figures published by the Treasury, borrowing last month continued to be pushed up by excess Government spending and only relatively modest increases in tax revenues.

The seasonally adjusted 1 per cent rise in the money supply took the rise in sterling M3 in the 12 months since February 1980 to 20 per cent, or 17.5 per cent after allowance for "corset" distortions, compared with the Government's 7 to 11 per cent target over the period.

The monthly statement of the London clearing banks showed that sterling advances to the UK private sector fell by £375m in February, although the net outcome after borrowing from market sources was for a modest underlying increase.

On the borrowing front, the central Government's credit needs during the first 11 months of 1980-81 financial year rose to £12.20bn from £8.07bn in the same period of 1979-80 and the original forecast for the whole year of £9.31bn.

MONEY SUPPLY AND CENTRAL BORROWING

	£M3 % rise	Cent. govt. borrowing (£m)
Sep.	0.5	850
Oct.	1.9	162
Nov.	2.1	2,835
Dec.	0.6	2,318
Jan.	0.7	−1,718
Feb.	1.0*	737

Sources: Bank of England, Treasury.
* provisional

● The price index for materials and fuel purchased by manufacturing industry rose 1.7 per cent in February compared with January, after a rise of 2.2 per cent in January. This took the index, compiled by the Department of Industry, to 213.1 (1975 = 100).

In spite of the sharp rise in February—partly because of sterling's weakness against the dollar, which increased the price of imported oil—the 12-month increase in the index fell to 7.8 per cent from 8.2 per cent in January.

● The price index for the home sales of manufactured products rose by 1 per cent in February compared with January, following a rise of 1.5 per cent in the previous month. The index (base 1975) increased to 211.8.

The year-on-year rise in the index fell again in February—for the 11th consecutive month—to 10.5 per cent from 11.2 per cent in January.

● The volume of retail sales in January rose by a sharp 5.2 per cent, seasonally adjusted, compared with December, well above the earlier figure of 2.9 per cent reported by the Department of Trade last month.

The Department's index of retail sales volume (average 1976=100) rose to 114.0, compared with the earlier provisional figures of 111.5, and well above December's 108.4.

Th volume of sales by mixed retail businesses, including department stores, rose sharply in January as a result of active annual sales promotions.

Many retailers, however, have been trimming prices severely and have been able to record turnover gains only at the expense of falling profit margins.

● Buoyant consumer demand was also reflected in a pick-up in hire purchase business in January after sluggishness during the previous two months.

Total new credit extended by specialist companies and retailers rose to £627m, seasonally adjusted, in January from £603m in December.

Dail set for debate on Irish neutrality

By Stewart Dalby in Dublin

THE IRISH parliament (the Dail) is scheduled today to debate the country's neutrality.

At issue is whether Mr. Charles Haughey, Irish Prime Minister, has offered neutrality as a bargaining counter in his discussions with Mrs. Thatcher over Northern Ireland.

Both Prime Ministers have refused to disclose the fine print of their "joint studies" concerning questions of new institutional structures and the totality of relationships between the islands.

However, statements by Irish ministers, including Mr. Brian Lenihan, Foreign Minister, have indicated, albeit obliquely, that Ireland might be willing to join a defence pact in return for some kind of movement on the British involvement in Northern Ireland.

The suggestion that the country's neutrality might be at stake in the discussions has concerned some MPs.

Members of the Irish Government have, however, been pointing out privately that Ireland's membership of the European Economic Community means that in a political sense the country is no longer neutral. Should the 10 EEC members agree on a common defence policy then Ireland would be virtually obliged to enter it.

Hotels group seeks new casino licences

BY ALAN FRIEDMAN

GRAND METROPOLITAN, the hotels and brewing conglomerate which operates London casinos through its Mecca Sportsman subsidiary, is planning to apply for two new licences this year.

Mr. Phillip Isaacs, chairman of Mecca Sportsman, said yesterday the Gaming Board for Great Britain considered Mecca to be "fit and proper to hold a casino licence" and had issued a certificate of consent which would enable Mecca to apply as soon as May.

He said he was "fairly confident" of getting a licence for the Palm Beach—bought from Coral—which closed on Monday after a dismissed appeal at the Knightsbridge Crown Court. In addition, Mecca would also seek a licence for the Hilton, a new casino it is planning.

"Of all the new applications for licences we understand that only three in London have been issued and we have two of these."

Lonrho, the international conglomerate run by Mr. "Tiny" Rowland, said yesterday it would be appealing against the cancellation of its licence to run The International Sporting Club. Lonrho bought the casino from Bass after it had taken over Coral.

Lonrho director Mr. Paul Spicer said yesterday the group would be reapplying "as soon as possible." The International Sporting Club was one of three well-known London casinos closed on Monday by court decision. The third was Mr. John Aspinall's Curzon House.

Unlike Grand Metropolitan, which has a consent certificate, Lonrho will have to wait until next year for another such certificate before it can apply for a licence. In the meantime members of the International Sporting Club would be able to switch to Crockford's—which comes under a different licensing area—also bought by Lonrho from Bass.

Lonrho is examining the possibility of keeping the International Sporting Club open with a restaurant and bars licence until the appeal is heard.

Liqueur and spirit sales fall sharply

By Gareth Griffiths

SPIRIT AND liqueur sales in the UK fell sharply last year with clearances from bond on which duty was paid down 4.5 per cent for whisky compared to 1979 and 9.2 per cent for imported liqueurs and spirits.

The decline highlights the sharp fall in demand the drinks industry suffered in the last half of 1980 and from which it has not yet recovered. Imports such as Cognac and liqueurs have borne the brunt of the decline. Cognac imports fell 13 per cent compared to 1979 and rum was down 12.9 per cent.

Meanwhile, Scotch whisky held up its share of the spirits market. Clearance figures on which duty had been paid for the home market showed an increase from 4,948,000 litres of pure alcohol in December, 1979, to 5,282,000 litres of pure alcohol in December, 1980.

This apparent improvement, however, masks the trend as clearances in December, 1979, were particularly poor. The total amount of whisky cleared for the home market last year was 50,158,000 litres of pure alcohol.

BSC ready to pay Duport £25m

BY RAY MAUGHAN

PLANS for the restructuring of Duport and withdrawal from its dominant interests in steel making are complete and details are expected to be sent to shareholders later this week.

It appears the British Steel Corporation has agreed to pay Duport about £25m for control of the private steel manufacturer's re-rolling operations at its London works in the West Midlands and bright drawn steel operations at the Flather Steel works in Sheffield.

Payment is expected by commercial bill which Duport will discount, at a specified rate, with its principal clearing banker, Midland Bank.

This consideration will offset borrowings believed to have grown to almost £30m at January 31, 1981 balance sheet date. Duport will be left to bear the cost of closing its modern melting capacity in Llanelli, much of which—like its re-rolling capacity—has only recently been commissioned. The South Wales plant employs 2,200 people.

Duport's determination to replace its open hearth melting capacity with two electric arc furnaces and its own railway link with its finishing plants in the West Midlands and Sheffield has cost about £35m in the past six years. Much of this has been borrowed from Midland Bank.

Its steel activities, which probably account for 70 per cent of total assets, have been severely damaged by the acute fall in demand in the past year and the group is estimated to be losing around £2m a month.

With the active help of the Bank of England, the plan which shareholders should receive by the weekend is designed to give Duport a strong chance of survival by concentrating on its remaining activities.

To cover the cost of the Llanelli redundancies and to accommodate the capital loss of the closure, strong further support from Midland Bank will be required. The bank will continue its involvement

Subscription TV trials given go-ahead

BY ARTHUR SANDLES

FIVE COMPANIES have been given the go-ahead to carry out two-year experiments in subscription cable television services. The experiments will be in 11 areas and could be available to 76,000 households.

Under a subscription TV scheme customers pay a monthly fee — in these cases expected to be between £5 and £8 — and are offered an additional channel consisting mainly of feature films but including sport, children's shows and local programmes.

Mr. William Whitelaw, the Home Secretary, announced approval of the experiments yesterday in the Commons.

The five companies involved are: British Telecom (Milton Keynes), Greenwich Cablevision (Greenwich), Philips Cable Television (Northampton and Tredegar), Radio Rentals (the Medway towns and Swindon), and Rediffusion (Burnley, Hull, Pontypridd, Reading and Tunbridge Wells).

Floppy disc Scots plant to close

By Ray Perman, Scottish Correspondent

THE U.S.-owned MFE Corporation is to close its plant at Livingston, West Lothian, in spite of a heavy order book for its flexible magnetic computer discs.

Mr. Bill Lahti, managing director, said yesterday that the company had decided to withdraw from the floppy disc market to concentrate on other products for the electronic industry.

There are 47 people employed in the Livingston plant and nearly 100 in the U.S. plant at Salem, New Hampshire.

"The amount of future investment required to stay in the floppy business was $6m (£2.71m), most of it capital equipment and parts," said Mr. Lahti.

"MFE has an annual turnover of $24m and with the amount of research and development needed to keep abreast of present developments, in our main activities this money just could not be found.

"The orders are coming in like crazy. It saddens us all.

Fison's job losses

FISON'S decision to close its London headquarters will mean the loss of 74 jobs. The UK-based chemicals group started discussions with staff on the job cuts yesterday. The company has reported a 78 per cent drop in pre-tax profits between 1979 and 1980.

More redundancies

THE BAIRNSWEAR spinning mill at Worksop, Notts, is to declare up to 85 people redundant, leaving it with about 160 workers. The company said yesterday that cheap imports have seriously affected demand for its high bulk yarns.

British Rail advertisement was 'ill-advised'

BY MICHAEL THOMPSON-NOEL

THE ADVERTISING Standards Authority has partially upheld a complaint against a British Rail corporate advertisement headlined: "This is no time to undervalue our railways."

The advertisement was one of a series published by BR last year in a £250,000 campaign aimed at enhancing its business reputation and stimulating debate about railway financing.

BR says it is "utterly perplexed" by the ASA's decision.

The complaint was lodged by a member of the public and by two organisations, the Railway Conversion League and Movement for London.

The advertisement complained of argued for a balance between road and rail schemes as objects of investment, with schemes of both kinds being assessed on relative merits.

To illustrate its case, BR claimed that the average cost per mile of sections of the M25 under construction early last year was £8.4m (allowing for overheads)—enough, it claimed, to buy four High Speed Trains or electrify 28 miles of route.

The complainants challenged the figure of £8.4m per mile for the M25, and doubted whether it cost as little as £0.3m to electrify one mile of rail route, as implied by BR's comparison. That part of the complaint was rejected by the ASA.

But it upholds the complainants' view that BR's comparison may have misled readers, and was "ill-advised."

"The costs involved in the electrification of a pre-existing railway route are so different in kind as to permit of no fair comparison with those involved in the construction of a wholly new motorway," says the authority.

Rough ride for Hay's Wharf plan

By Elaine Williams

OPPONENTS OF the proposed development of the Hay's Wharf area of London failed in their attempt to adjourn a public inquiry into the scheme which started stormily yesterday.

The plans for about 2m sq ft of offices, to be built at a cost of more than £200m over a 10-year period, have already received outline planning permission from the Labour-controlled London Borough of Southwark and are favoured by the Greater London Council.

This has outraged the local community who want more of the land allocated to housing and light industry. The Hay's Wharf inquiry is the first of a series of three major public inquiries into redevelopment plans for London's south bank.

Yesterday, the North Southwark Community Development Group complained that opponents of the office development had not been given enough time to prepare their case against St. Martins Property Corporation, a subsidiary of the Kuwait Investment Office, which will run the project.

The group is upset that only 28 days' notice was given for the inquiry instead of the usual 42 days for such a large project. It says that although the Secretary of State for the Environment has the power to shorten the notice period, such a move is detrimental to the local community who will be affected by the largest office development scheme ever planned for London.

The Hay's Wharf plan affects almost 30 acres of land fronting the Thames between London Bridge and Tower Bridge, most of which is owned by the Kuwaitis. Although a small area of land is owned by the English Property Corporation, agreement has been reached between the two over the proposed developments.

The scheme includes the provision of 243 homes, 34,000 sq ft of industrial space, 168,000 sq ft of storage space, 53,000 sq ft of retail space, three acres of public park and the provision of 10,000 sq ft of leisure facilities to be chosen by Southwark Council.

Southwark Council is in favour of the scheme because it is estimated that up to 11,000 new jobs may be created and the council will receive an additional £11m a year in rates.

Two other south bank development schemes will come under public scrutiny shortly. One is at Coin Street, which stretches from the National Theatre almost to Blackfriars Bridge. The other is the Effra site, which is opposite the so called "green giant" site

Collapse of Britain's newsprint industry

William Hall reports on the latest closure announcement at Reed's Gravesend mill

A YEAR AGO Britain was the second largest newsprint producer in Europe (excluding Scandinavia) and its newsprint machines were working at full capacity. But in the past eight months its newsprint industry has collapsed.

Once the closure of Reed's Imperial Paper Mills in Kent—the UK's last specialist newsprint mill—has been completed, Britain will have the smallest newsprint capacity of any European country.

Last August Bowater closed its 185,000 tonne newsprint mill at Ellesmere Port in Cheshire. The mill was losing about £7m a year and the closure will cost Bowaters between £24m and £29m. A couple of days later Reed closed a 55,000 tonne newsprint machine at Aylesford in Kent.

With the closure of Imperial Paper Mills' single 55,000 tonne newsprint machine, Britain's domestic newsprint capacity will be confined to two ancient machines at Bowater's Kemsley site. One of these will be largely occupied making industrial towelling and the combined capacity will be only 50,000 tonnes a year.

Reed will retain one newsprint machine at Aylesford capable of producing 55,000 tonnes a year. The combined 105,000 tonne capacity of Bowater and Reed's three remaining newsprint machines is considerably less than that of a single modern Scandinavian newsprint machine which produces upwards of 150,000 tonnes of newsprint a year.

To all intents and purposes the UK newsprint industry has disappeared in the last seven months with the closure of the two specialist mills at Ellesmere Port and Gravesend.

By the middle of the year Britain will be importing more than 90 per cent of its newsprint requirements. The only European countries more reliant on imported newsprint are Denmark and Eire. In both cases the local market is not big enough to sustain a viable domestic industry.

This is not the case with the UK. It is the third biggest consumer of newsprint in the world after the U.S. and Japan. UK consumption is about 1.3m tonnes a year.

The UK traditionally maintained a sizeable domestic newsprint capacity for strategic reasons. Domestic production peaked at 780,000 tonnes in 1969 when five companies supplied more than half the UK market.

By 1973 production had fallen to less than 400,000 tonnes a year and Bowater and Reed, Britain's two biggest paper companies, were the only ones left in the game. Since then production has fluctuated between 300,000 and 400,000 tonnes a year.

UK newsprint producers have been losing money for years. Newsprint has a relatively low added value, and energy and raw materials account for most of the costs. On both counts UK producers are at a serious disadvantage compared with the Scandinavian and North American competition.

Bowater estimated last year that UK wood costs for newsprint were twice as high as Canada's. In addition, electricity costs were three times higher than Canada's.

Scandinavian producers have also invested heavily in much bigger machines and there are obvious economies of scale associated with newsprint production.

To reduce reliance on imports, UK newsprint producers switched to using domestic waste paper. However, this was insuffcenit to offset the advantages of the large integrated newsprint mills of Scandinavia.

The final blow for UK producers has been the strength of sterling. Since newsprint prices are based on dollars, UK producers have not had a price increase for several years.

Against this background the decline of the UK newsprint industry has been inevitable. But the speed with which it has disappeared has caught many people by surprise

France's largest newsprint proucer, Chapelle-Darblay lost nearly $20m last year and has filed for bankruptcy.

The French Government subsidises local newsprint production and is not expected to let Chapelle Darblay collapse.

The Dutch Government has also invested a considerable amount of time and effort in supporting its sole domestic newsprint producer Van Gelder.

Its new 150,000 tonnes a year newsprint machine at Renkum has been suffering start-up problems and last October the Dutch Government helped arrange a $38m refinancing package to help it over its financial difficulties.

MONEY SUPPLY AND CENTRAL GOVERNMENT BORROWING

'000m. tonnes a year

EEC	
Germany	630
France	330
Italy	305
Netherlands	138
Belgium	110
UK	105
Total EEC	1618
NORDIC	
Sweden	1775
Finland	1475
Norway	700
Total Nordic	3950
OTHER	
Switzerland	237
Austria	190
Spain	108
Sub total	535

Source: Newsprint Data, Canadian Pulp and Paper Assoc.

Airliner to follow Concorde 'inevitable'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AN ADVANCED, second-generation supersonic airliner to follow Concorde is now "inevitable" but it will probably have to be a transatlantic co-operative venture between Europe and the U.S.

This is the view of Mr. Allen Greenwood, deputy chairman of British Aerospace, and chairman of BAe's U.S. subsidiary, British Aerospace Inc.

He says, in a review of the group's U.S. operations, that the four-hour crossing of the Atlantic by Concorde is "now the norm," for many businessmen and politicians.

"I wonder what those leaders will do in the 1990s, when the available Concordes finally run out of airframe hours and have to be retired. Maybe they will return to the seven-hour journey reluctantly, or finally support an advanced supersonic transport."

Mr. Greenwood says it will take ten years to develop a second-generation supersonic airliner, but it could be built on the back of Concorde's technical and operational experience.

"It must have the economics for broad market appeal and it probably will be a transatlantic project.

"When the time comes for practical steps to be taken, it would be sensible to begin with a joint research programme, which could blend the practical work continuing in Europe using Concorde prototypes, with theoretical and laboratory studies being undertaken.

"The cost would be relatively low and it would provide a technical base for the commercial development of an advanced supersonic transport which could appeal to the public, governments, the airlines and investors," he said.

On other aspects of BAe's U.S. activities, Mr. Greenwood foresees good business in North America for the BAe 125 business jet. "For the past four years, the Series 700 125 business jet has sold consistently at the rate of one aircraft every ten days."

The U.S. Federal Aviation Administration projects a need for over 6,000 new business jets by 1990.

Rolls-Royce nearer jet supremacy

THE DECISION by Eastern Airlines of the U.S. to convert its order for the Rolls-Royce RB-211 Dash 535C engines—for its fleet of 27 Boeing 757 short-haul jets — into the latest, more powerful version of that engine, the E4, is a major victory for Rolls-Royce in what is becoming a bitter fight for orders in the world airliner market.

Pratt and Whitney, the only other big engine maker in the fight after General Electric dropped out of the short-haul sector earlier this year, had been having things all its own way in recent months.

It had won orders worth more than $1bn (£450m) for its new PW-2037 engine from both Delta and American for their fleets of Boeing 757s, and it also recently won the $900m order from Saudia for JT-9D engines in that airline's fleet of 11 European A-300 Airbuses.

Pratt and Whitney then set about trying to woo Eastern away from its Rolls-Royce commitment on the Dash 535C engine, by offering guarantees comparable to those which had won it the Delta and American contracts.

Details of those guarantees remain obscure, but they are believed to provide for compensation to customer airlines for keeping older aircraft and engines in service while they wait for the PW-2037, which will be available in late 1984, some two years behind the Dash 535C.

Michael Donne analyses the duel in the short-haul airliner market

It is also understood that Pratt and Whitney has been promising better fuel consumption than the Dash 535C, with compensation payable if those improvements are not achieved.

But Rolls-Royce was already quietly moving to thwart the Pratt and Whitney plans. While continuing to develop the Dash 535C for airline service in early 1983, Roll-Royce was also developing the improved version, the E4.

This has a greater thrust, up to 40,000 lb, against the 535C's 37,500 lb, and an 8 per cent further saving in fuel consumption. Such an improvement, spread over its fleet of 27 jets over 10 years or more, would be worth well over $100m in cost savings to Eastern.

Moreover, the E4 will be available at exactly the same time as the Pratt & Whitney PW-2037 — late 1984 — having also had by then the benefit of up to two years' operating experience with the early 535C model.

Eastern could thus hardly turn down the E4. It would get its Boeing 757s on time in early 1983, with the 535C engines getting the benefit of these highly competitive and more fuel-efficient airliners for two years before converting into the improved E4 engines.

As Mr. Frank Borman, former astronaut and president of Eastern, said on Monday: "Rolls-Royce, by developing a major improvement in the engine's fuel performance, has demonstrated its ability to more than meet the stiff competition that characterises the aircraft engine market today."

It is clear that, had Rolls-Royce not been able to offer the improved E4, it would have probably lost its £200m worth of Eastern business to Pratt & Whitney.

Now it is in a strong position to move further into the U.S. engine market, and the battles with Pratt & Whitney in the months ahead will become even fiercer.

In the U.S. market alone, it is estimated that more than 600 ageing 727s will have to be replaced through the 1980s, either with Boeing 757s or something smaller, such as a 150-seater like an Airbus A-320, a McDonnell Douglas DC-XX or even an updated version of the 727 itself.

This market is estimated to be worth about $10bn (more than £4.5bn), of which the engine share is not likely to be less than one-third, or about $3.5bn (about £1.58bn).

Airlines with big fleets of 727s include Braniff, Continental, North West, Pan American, Trans World and United, and all of these have yet to settle on replacements for service through the 1980s.

Some will want smaller aircraft than 757s. United in particular may buy 100 or more new jets, but is not anxious to buy the 757, nor does it want to see the market dominated by Boeing and Pratt & Whitney.

Thus United is currently more interested in something smaller, such as the A-320 or DC-XX—but Rolls-Royce is in that market too, with its joint Japanese venture, the RJ-500 of up to some 26,000 lbs. thrust.

Here again, Rolls-Royce could win substantial orders if it can get its RJ-500 rolling quickly, as there is as yet only one rival in that field, the Franco-U.S. CFM-56 produced by Snecma and General Electric. Pratt & Whitney has been thinking of entering that market with another version of its PW-2000 series, the PW-2025 of about 25,000 lbs. thrust, but has not yet committed itself.

For the immediate future, however, the major fight will be between Pratt & Whitney with the PW-2037 and Rolls-Royce with the Dash 535C and E4. Rolls-Royce will be able to offer airlines early deliveries of C engines, converting to E4s later.

The battle will not be confined to the U.S. market, however. Many airlines outside the U.S. also have ageing 727s which will need to be replaced, and Rolls-Royce is making a determined bid to win orders there also.

Improvements likely in BA's top classes

BY OUR AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is expected to announce details this week of substantial improvements to its long-distance first-class and cheaper Club Class services. The new first class is to be called "Crown Class".

The aim is to redress the many complaints the airline has received about the quality of its first-class and Club Class accommodation from businessmen, and to keep abreast of, if not ahead of, the competition from other airlines for these higher classes of fare-paying passengers. The airline will spend £1m promoting the changes.

One development will be a substantial widening of the range of sleeperette-style seats on long-haul first-class cabins.

In the Club Class cabins, to be called "Super Club", especially designed for businessmen who cannot afford the full first-class fare, the airline will make a greater effort to give the passengers more room, and to keep out lower-fare passengers who have tended to infiltrate that cabin.

While in Western Europe British Airways is extending its "no first-class" plan this spring, on its long-haul routes it recognises first-class remains a valuable contributor to revenues.

At the same time, it realises some of its competitors have been winning traffic because of improvements in the quality of service, especially with sleeperette or comparably comfortable seats.

In view of its heavy losses in the current financial year—expected to be more than £100m—British Airways believes it will need every first-class full-fare passenger it can get in the coming months to boost revenues, and that it can win them only by improvements to service standards.

Meanwhile many fares on the North Atlantic air route have risen up to 15 per cent since early March, to meet soaring fuel and other costs.

British Airways' Concorde single fare to New York, which was £687.50 last summer and £837 during winter, will now be £955.50.

First-class fares, which were £594 single last summer, and £675 in winter, have risen to £771.50.

The Club Class fare, £247 single last summer and £281 single this winter, is now £309 single. The Economy rate, has risen from £189 last summer, through £194.50 this winter, and now stands at £214 single.

Super Apex fares will cost £251 return, against £252 last summer and £185 during the past winter.

Nissan executives arrive to start car plant study

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A TEAM of senior executives from Nissan, the Japanese motor group, arived in the UK yesterday to start the next phase of the feasibility study for a £275m car plant in Britain.

The mission is led by Mr. Masataka Okuma, vice-president, who will have discussions with the Department of Industry before he leaves again on Friday.

He will also be briefed by management consultants McKinsey and Company, which has selected a short-list of sites from the 40 offered.

It is unlikely that Mr. Okuma will visit any of the sites himself. This will be left to Mr. Isamu Kawai, one of Nissan's eight managing directors. who has been appointed to head the team involved in the UK plant project.

Within a week or so Mr. Kawai will have selected three or four sites for intensive investigation. Nissan wants a flat, 800-acre site for the proposed plant.

Mr. Kawai's team will also be meeting union officials and potential component suppliers while they are in the UK.

Nissan has said the feasibility study will take about four months. The company will then decide whether to go ahead with the plant and its planned output of 200,000 Datsun cars a year.

Computer staff at two banks to vote on action over pay

BY NICK GARNETT, LABOUR STAFF

THE PROSPECT of industrial action over pay in the English clearing banks moved a step closer yesterday following decisions to ballot members of the Banking, Insurance and Finance Union (BIFU) at computer centres dealing with cheque clearing for Lloyds and Barclays banks.

These two banks have effectively been targeted in the first phase of any industrial action members of the union agree to carry out. Further action outside computer centres and in the other clearers could follow.

Clerical and technical staff at two of Barclays' three principal computer centres will be balloted on industrial action at the end of this week. The two centres, at Wythenshawe in Cheshire and at Gloucester are involved in the bank's account operations.

Clerical staff — but not data processing and computer operators — at Lloyd's central computer operations at Sampson House, London, will be balloted from today.

All three groups are being asked whether they would be prepared to take industrial action in order to reach a pay settlement at least at the level of the retail price index.

The five main English clearers have offered their 130,000 clerical staff a rise of 8.5 per cent. They will almost certainly improve that offer in negotiations tomorrow. Until now, however, the banks' chairmen have insisted that the settlement this year must be in single figures.

The existing offer has been rejected not only by BIFU but also by the Clearing Bank Union (CBU). BIFU, however, has been leading attempts to force improvements in the banks' offer through the threat of industrial action. No group of CBU members has so far asked their union so far to be balloted.

BIFU officials said yesterday that union members were making it clear that they wanted no less than 13 per cent. This figure had emerged because of the RPI and also headline settlements for insurance staff, the miners and water workers.

The three computer centre groups, along with other pockets of BIFU members, had asked to be balloted on industrial action.

Mr. David Evans, senior London organiser for BIFU, said the union was confident that staff at Sampson House would fully support action.

Bank personnel and some union officials had questioned how much support there would be among members generally for industrial action over pay. Relatively small groups of key workers, however, could inflict major damage on banking operations.

Further groups of water workers reject 12.3%

BY OUR LABOUR CORRESPONDENT

THE FIRST votes on the 12.3 per cent pay offer from the second largest union in the water industry—the National Union of Public Employees—show two of three regions rejecting the offer.

The North-East area, which includes Yorkshire and Humber, was strongly opposed, while in the South-East the margin was closer. The Midlands voted overwhelmingly to accept the offer.

The Midlands also voted heavily for the previous offer of 10 per cent, which the rest of the union rejected. NUPE regional officials yesterday predicted a substantial overall vote against the new offer.

However, of the total number of members who have voted so far, a majority of 2,277 want the offer accepted with 1,812 against.

Taken together with the four regions of the largest union—the General and Municipal Workers Union—which have voted so far, the trend is towards rejection.

Three major GMWU areas vote today—Lancashire, the West Midlands and London.

TUC shifts stand in Isle of Grain dispute

By John Lloyd
Labour Correspondent

THE TUC has made significant changes in its formula for solving the long-running inter-union dispute at the Isle of Grain power station construction site, in a further effort to calm the situation.

In face of tough opposition from the Central Electricity Generating Board, it has dropped its earlier condition that the employers of insulation engineers, or laggers, should be members of the Thermal Insulation Contractors Association.

This was a critical element, because the laggers' union, the General and Municipal Workers Union, has had a long-standing agreement on wages and conditions with TICA, which employs only GMWU members.

However, the electricity board made it clear it would not award TICA contractors the lagging contract for the station's Unit Three, but would give it to the mechanical contractors, Babcock and Wilcox and the General Electric Company (GEC) which are already lagging Unit One.

This compromise has meant that the way is now cleared for the original laggers, who have been at the heart of the dispute for 18 months, to be re-employed on Unit One.

However, this in turn raises the problem of how to redeploy the 54 substitute laggers, members of other unions, who have been lagging Unit One.

The other workers on the site have made it clear that they will not allow them to be re-deployed on the site, because any new jobs are reserved for the 600 workers who were made redundant over a year ago.

TICA, which no longer has a presence on the Isle of Grain, fears that its members will be denied future CEGB contracts on other large sites. It believes its members companies have been unfairly blamed for the site's labour problems.

Talks between the GMWU, the Engineers Employers Federation and the mechanical contractors yesterday ended without a final agreement, though further talks are due to take place.

Ford foremen begin strike over abolition of grade

BY NICK GARNETT, LABOUR STAFF

SEVERAL HUNDRED foremen at Ford's Dagenham works went on 24-hour strike yesterday in protest at company plans to abolish the grade of general foreman throughout the company. The plan has already begun stoppages at other plants.

The Association of Scientific, Technical and Managerial Staffs, which represents foremen asked the company in talks to withdraw the scheme to allow discussions. It warned earlier that further strikes could follow.

The company's restructuring of the chain of foreman supervision is paralleled by similar moves with senior plant management.

Other, separate efficiency changes included significantly changes included significantly lower manning levels of manual workers when the new Escort production began at Halewood last summer.

There may be reviews of central and group staff, though no such proposals have been put forward.

Management accepts that it is impractical to bring in Japanese-style manning and demarcation by rapid drastic measures, but it continues to examine shopfloor efficiency.

A watershed might occur if British unions agreed to wholesale changes in traditional demarcation and working patterns in negotiations with Nissan on its proposed car plant in the UK.

It would almost certainly result in pressure from Ford, and perhaps other manufacturers, on the unions for the same leeway.

The company would say that it would be appalling if an "indigenous" manufacturer such as Ford was put into a gravely uncompetitive position against a new manufacturer in the UK.

Pressure by Ford to improve efficiency has resulted from what it says are growing competitive pressures, from lessons learnt by senior European Ford personnel on a trip to Japan two years ago; and supervision chains used in some Continental plants.

The company's Valencia plant in Spain has operated from the start without general foremen, and such a system was recently introduced in Cologne.

The supervision pyramid in UK plants stretches down from plant managers through superintendents, general foremen and foremen.

The company wants to take out the wide layer of general foremen, 600 men, 240 at Dagenham, and it is this that has principally upset ASTMS.

The company intends creating new senior foremen, one of whom would be attached to each superintendent as a type of aide or troubleshooter.

A new concept of area management would involve a change from the normal direct structure of plant managers reporting to operations managers to a system of managers in charge of designated work.

This might also remove part of a layer of management, as well as making managers more accountable to direct supervisers.

Pickets hit Tate and Lyle

FINANCIAL TIMES REPORTER

A SUGAR shortage threatened Northern England and parts of Scotland yesterday as workers at the Tate and Lyle refinery in Liverpool voted to picket depots and warehouses in a bid to stop the company closing their factory.

The Liverpool refinery is one of three which together traditionally supplies about 50 per cent of Britain's sugar, but it is due to close on April 22, with the loss of 1,500 jobs.

Tate and Lyle blames EEC regulations which now allow much greater amounts of European sugar beet into Britain, making cane sugar less economic.

After yesterday's meeting, Mr. Tony Humphreys, regional officer of the refinery's main union, the General and Municipal Workers, said: "Undoubtedly there will be a sugar shortage which will affect both domestic users and the food industry."

He claimed extensive support for the union's blacking of all sugar movement from other groups. The 220 transport workers at Liverpool are already refusing to move sugar from the site.

Merchant navy pay deal hopes

BY OUR LABOUR STAFF

UNION LEADERS of 36,000 merchant navy officers yesterday reported early indications of "substantial" support for acceptance of a 12 per cent pay offer over 12 months from last November.

The Merchant Navy and Airline Officers' Association said it was at present consulting its members on the new proposal following rejection of a previous offer of 12 per cent over ten months or 10 per cent plus an extra five days from the normal November settlement date.

The General Council of British Shipping has been told even if the new offer is accepted the unions will still demand more leave and consolidation of supplements on basic rates outstanding since 1975.

Early hearing for tinplate men's court plea

By Raymond Hughes

THE HIGH COURT is to treat as a matter of urgency a legal move by Welsh tinplate workers threatened with redundancy.

The court yesterday agreed to hear as soon as possible the claim by the trade union side of the works council at the Velindre tinplate works near Swansea that the British Steel Corporation's corporate plan is illegal.

The case may come on for a full hearing towards the end of next week.

Agreement on an early hearing, coupled with BSC's announcement that it would not issue any redundancy notices before March 28, led to the works council yesterday dropping its application for a temporary injunction stopping notices being issued.

In its writ the works council claims that the BSC has not satisfied a requirement in the 1975 Iron and Steel Act that it should consult the unions when carrying out a review similar to that which led to the corporate plan.

APPOINTMENTS

Powell Duffryn group post

Mr. K. F. Rutherford is to become managing director of PDT HULMES on April 1, in place of Mr. L. C. Bartlett, who is retiring. The company is a member of the Powell Duffryn group.

★

Mr. Christopher R. Ixer has been appointed financial director-company secretary of CANNON AND STOKES, a member of the Associated Engineering Group. He was previously chief accountant of the Glacier Metal Company.

★

Mr. C. C. H. Beresford, Mr. R. V. N. Berg, Mr. I. R. Bower and Mr. A. J. Wedgwood will be admitted to the London partnership of PEAT MARWICK MITCHELL AND CO. on April 1.

★

Mr. Ronald Prain has been appointed a director of HOLLOWAY WHITE ALLOM, a member of the John Laing Group.

★

Mr. Paul J. Ryder has been appointed production director of FIELDING AND PLATT, a member of the Redman Heenan International group. He was previously with F. J. Edwards.

★

Mr. James Curren has been appointed company secretary of BANKERS TRUST INTERNATIONAL and continues as company accountant.

★

A new management structure has been introduced at SALTER INDUSTRIAL MEASUREMENT, operating from George Street, West Bromwich, and replacing the previous divisional organisation. It is headed by Mr. A. G. Cooper, recently appointed managing director. Mr. T. H. Cooke continues as financial director. Mr. J. Hitchcock has become engineering director in addition to his position as managing director of Salter Abbey Weighing Machines. Mr. J. C. G. Bowman is now marketing director. Mr. A. H. Newman has been made sales manager, UK and Mr. L. W. Parkinson, marketing manager. Mr. F. Turner remains manager of service, hire and repair.

Salter Industrial Measurement is a subsidiary of G. Salter and Co., and a member of Staveley Industries.

★

Sir John Partridge has retired from the Board of DELTA GROUP.

★

Mr. Derek A. Roden has been appointed to the Board of LUMSDEN BUCKLEY AND HOUSTON, responsible for the formation of the non-marine reinsurance division. He was previously with J. Besso and Co.

★

Mr. Bob Cartwright has been appointed public relations director to ROLLS-ROYCE MOTOR CAR GROUP. He replaces Mr. David Roscoe, who became director of public relations for Vickers following the merger of Vickers and Rolls-Royce Motors last year.

OVERSEAS

Mr. Peter Roos has been appointed export director of UNITED DUTCH BREWERIES BREDA-ORANJEBOOM, the Dutch subsidiary of Allied Breweries. His deputy is Mr. Jef van Gerven, export manager.

★

Mr. A. P. Bird, deputy chairman of the Bird group, has been elected president of the COMMISSION OF THE FERROUS SCRAP FEDERATIONS AND ASSOCIATIONS OF THE COMMON MARKET, Brussels. He is a past president of the British Scrap Federation.

Mr. Sandro Molinari, chief manager, foreign department, of CASSA DI RISPARMIO, has been appointed general manager and head of the Milan branch.

★

Mr. Stanley Dempsey, vice-president of Amax Inc., has been elected chairman of AMAX AUSTRALIAN VENTURES, an Australian subsidiary. He is also named chairman of the executive committee of Amax Iron Ore Corporation and a member of the Mt. Newman Joint Venture Operating Committee.

★

Mr. Walter Hess is to retire as managing director of LUWA AG, Zurich, and ZELLWEGER USTER AG, Uster, two manufacturing subsidiaries of the Hesta Group. He will remain on the board of both companies and will be succeeded by Mr. Anton Reinhart at Luwa, while Zellweger Uster will be managed as from May by a three-man committee chaired by Dr. H. Locher.

★

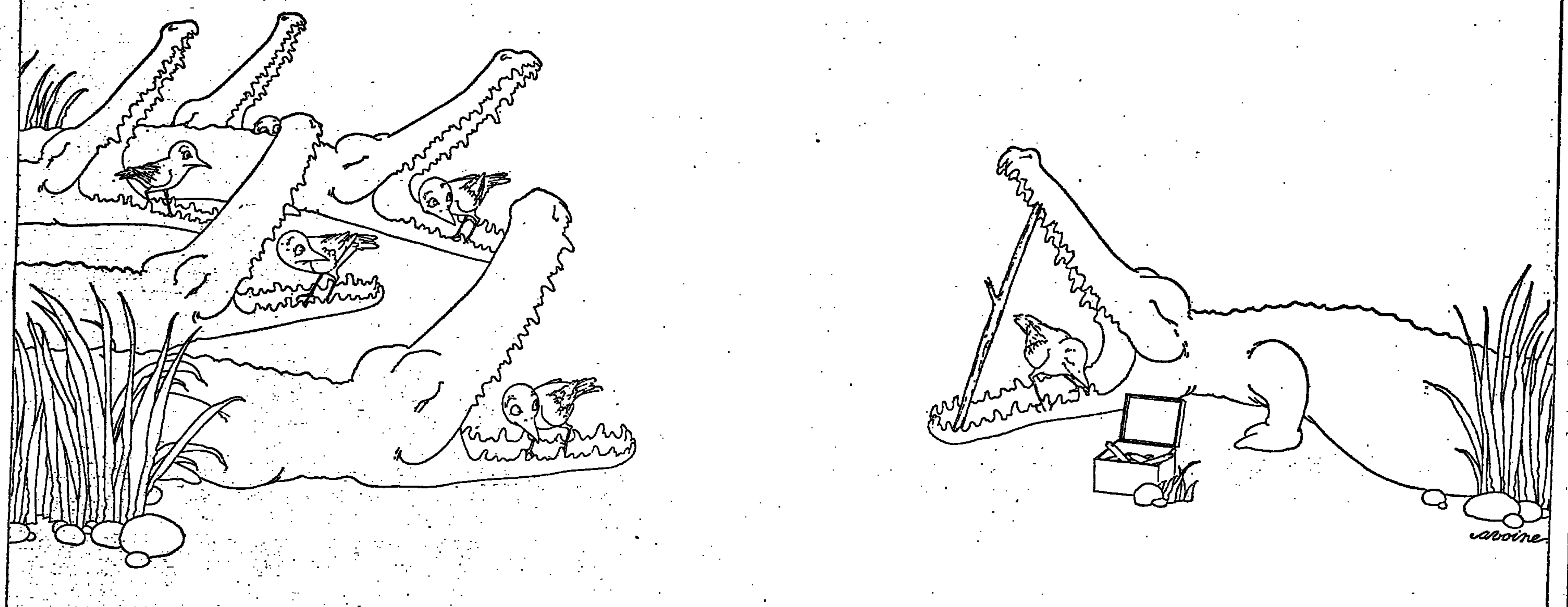
Mr. Paul R. Cohn has been named president of the specialty fastener group of REXNORD INC., Torrance, California.

★

Mr. John F. Bishop has been appointed to the board of ANTONY GIBBS SAGE with responsibilities with the North American division. The company is a subsidiary of the Hong Kong and Shanghai Banking Corporation.

هكذا من الأصل

When you're the 384th foreign bank to open in London you better have something the other 383 don't.



But before we tell you what it is we'd better tell you what the BFCE is.

Banque Française du Commerce Extérieur is a French commercial bank—with a French name—to which the French Government has assigned substantial medium- and long-term export credit responsibilities and for several decades now we've specialized, as our name suggests, in the financing of overseas trade.

But as you can see we haven't exactly knocked ourselves out getting ourselves overseas. While we've always criss-crossed the globe indefatigably for our customers we waited to set up shop abroad until we were ready.

We looked before we leapt. We stayed home doing our bit—a not inconsiderable bit—for the French export trade, in the process building up a solid fund of experience and expertise in international trade and commodity-trading—and acquiring a good working relationship with nearly every country in the world.

Although we've been busy setting up representative and trade promotion offices since the early seventies in a number of countries—more than 20 so far—it was only in February, 1977, that we really started exporting the BFCE with the opening in New York of our first overseas branch. (Quickly followed by a loan production office in Houston, an agency in San Francisco and a branch in Milan.).

Last but not least. But the big news, of course, is London—our new City branch just around the corner from the Bank of England in Threadneedle Street.

Now we've finally arrived we'd like to unzip our bags and produce without further ado what marketing men would call our unique selling proposition.

The BFCE is a "small" bank—in the same sense Mont Blanc is a small mountain—operating in one area of specialization. Overseas trade. For you there are three big advantages in this.

It means every single individual customer is very important to us and we'd better make quite sure we're doing a good job.

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We've got the wherewithal. Although we don't have branches all the way from Timbuktu to Kamchatka we are in a position to help with the financing of even the largest projects. (At the end of 1980 the Bank's total assets amounted to £13,700,000,000 and over 90 per cent of our business was in the financing of international trade.

In fact, at the Banque Française du Commerce Extérieur, when it comes to solving your problems, you'll find we've got what it takes.

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Something new in the City.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Metallised sheet reflects the heat

AN INSULATING material with metallised fibres claimed to reflect and radiate back the heat, thus enhancing the efficiency of the material, has been developed by a group of physicists at University College, Cardiff, in collaboration with Porth Textiles. The material is known as Flectalon and the development work has been partly financed by the Garment and Allied Industries Requirements Board.

Conventional insulating materials work by trapping in the spaces between the fibres. Flectalon also does so, but with the added advantage of reflectivity. Because Flectalon fibres are synthetic and therefore difficult to wet they do not lose bulk when moist, like down or down and feathers. The metallised surface of the fibres continues to reflect heat in wet conditions, the developers claim.

Some synthetic fibres used for insulation leak through the covering fabric, but with Flectalon the shape and bulk of the fibres prevents such leakage. It is claimed to be about 20 per cent more efficient than many other synthetic insulating materials and to be especially suitable for climbers, ramblers, fishermen and skiers.

Flectalon is made from a flat plastics sheet, usually polypropylene or pvc, on which a thin layer or coating of aluminium has been deposited. The thickness of the coating is about 30 nanometers (one nanometer equals one thousand millionth of a meter). The aluminium and the oxide surface coating are claimed to reflect almost completely all wavelengths within the infra-red region.

In making the metallised sheet into filaments the material is bulked, thus incorporating edge deformation of each filament perpendicular to its plane. This produces a matting matrix which has improved resilience and gives the required insulation characteristics, the developers claim.

How to remove evidence that Kilroy was there . . .

GRAFFITI CAN be removed from porous and non-porous surfaces with two new products which penetrate and soften all types of aerosol paint, felt tip pen and biro marks without leaving damage on the underlying surface, says Mayvil Chemicals, Abby Road, Sandbach, Cheshire.

Aerosol-packed is Graffitisolv for use on all types of glass, metal plastic laminates, ceramics, glassfibre and paintwork. It is said to be a careful blend of solvents and surfactants.

Developed for porous surfaces is Graffitigel which comes in 25 litre bottles. This should be left on a surface for three to five minutes and for optimum results the gel should then be washed off with use of a high pressure sprayer.

. . . and how to prise your superglued fingers open

BOSTIK HAS just revealed that it has been holding back on the launch of a "superglue" until it could offer, in the same pack, a releasing agent that would bring relief to those who manage to stick their fingers together.

The new product is the Bostik 12 Super-Glueing Kit and it uses bottles for both glue and release agent. The cyanoacrylate adhesive cannot leave the dispensing container until the tip is actually touching the surface to be joined. Then a spot or line can be applied as required.

Only one or two drops of the release agent is needed to part joined surfaces of skin in from one to five minutes. It consists of a polymer solvent which weakens, swells and eventually dissolves the adhesive and is also able to weaken the bond at the interface.

Bostik will be making the agent available in bulk for use in hospitals and factories. More on 0533 50015.

Vidor charges its batteries with U.S. skill

BY GEOFFREY CHARLISH

VIDOR, A subsidiary of Crompton Parkinson, is the first in Europe to make and offer one of the most sophisticated of the new dry battery couples — lithium sulphur dioxide.

On licence from the U.S., the new battery technology replaces the older, declining technology it has been using to create special batteries for use in products such as missiles—batteries which make have a long shelf life but have to perform with great accuracy.

European first

Vidor's managing director Peter Allatt said: "We wanted to get somewhere up in front." By buying in technology from Power Conversions of New York, the company has become the first in Europe to offer the new batteries which, although they are unlikely to have consumer appeal at the starting price of about £5 for a D size cell (33mm dia x 61mm, 80 gms, 7.7 Ah) will nevertheless have much to offer specialist users where weight and capacity are paramount considerations.

To set up a completely new production line and buy a manufacturing licence from PCI, Crompton Parkinson Vidor has spent about £1.4m of which £150,000 has been provided by the Government in regional aid. A contribution is also being made by the Ministry of Defence in terms of test and assessment contracts.

Production rate at the moment is about 1,000 cells a day, expected to rise to about 2,000 by the end of the year.

The properties of lithium—a soft silvery metal of very low density and high electrochemical activity—have long been identified as ideal for battery use and the metal has been used experimentally in some 30 different couples. But it is not an easy metal to handle in production and the accompanying use of sulphur dioxide provides further problems.

PCI was the first to put its toe in the water in 1975, so that five years later Vidor has the advantage of well developed production line design. In particular the problems of handling lithium have been solved: a special dry room held at under 2 per cent relative humidity is needed since the metal otherwise develops a black oxide coating in minutes. Specialised welding techniques are also required.

Production is costly in comparison with conventional zinc-carbon dry batteries, although automated assembly is being introduced and as volume builds there is the prospect of a cheaper product.

One of the company's first consumer approaches might be in terms of a "fit and forget" battery. For example, such batteries fitted in an amateur cine camera would run several hundreds of pounds' worth of film before going flat—with much less frequent worry about remaining capacity than with conventional types.

Cost apart, the characteristics of the lithium sulphur dioxide couple are extremely attractive. Each cell produces three volts as opposed to 1.5 for zinc carbon so that, for a six volt supply only two cells are needed instead of four.

Ten year life

In addition, taking a D size cell discharged at the 20-hour rate as typical, the energy density figure is over 300 watt hours per kilogramme (Wh/kg) which compares with 60 Wh/kg for zinc carbon and 80 Wh/kg for alkaline manganese cells. Put simply, five times as much electricity can be stored than in a conventional dry battery of the same weight and so it can be expected to last five times as long in continuous use.

Furthermore, shelf life is also greatly superior. Test cells in the U.S. are presumably in their fifth and sixth years and Vidor believes that ten years can be expected. The cells can then be immediately installed in equipment and used at any temperature between −55 and +70 deg C, yielding a high percentage of their capacity.

The new battery has the clear-cut advantage to the military and professional system designer that it can be left dormant in equipment for many years, at almost any point on Earth and then be called upon to deliver substantial energy. Minimum weight penalties are imposed.

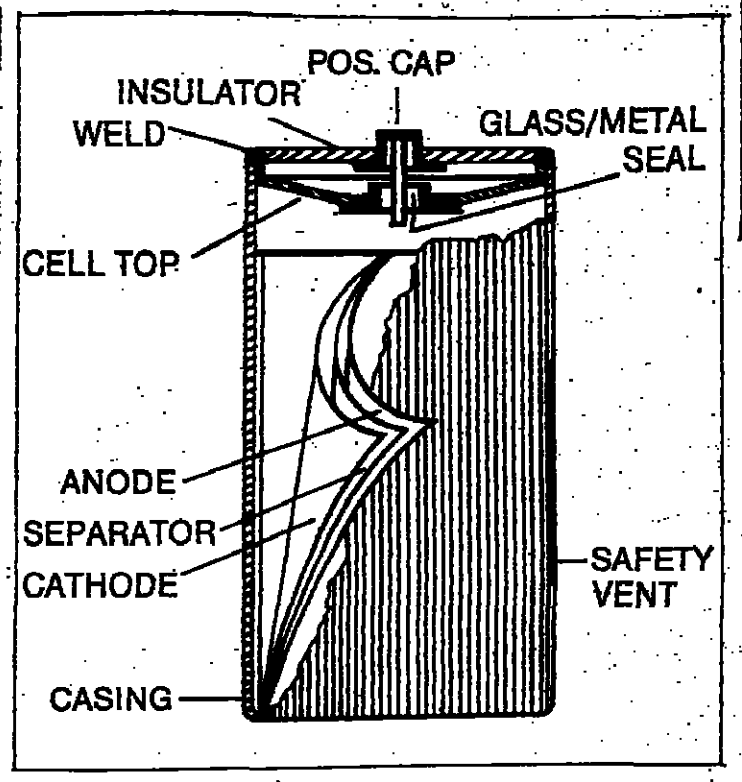
But the rub comes with the cost. For a D size cell supplying 500mA the cost per watt-hour for lithium sulphur dioxide is 20p, which compares with 3p for zinc carbon and 5p for alkaline manganese.

Apart from the cost, perhaps the only disadvantage that can be attributed to the new battery is the fact that it contains sulphur dioxide gas under a pressure of two to three atmospheres.

Under conditions of extreme current drain or a short circuit, the temperature and thus the pressure could rise to unsafe levels and so Vidor has built a safety vent in the steel casing of the battery which operates at about 30 atmospheres to prevent an explosion.

Although relatively small amounts of the gas are involved, the prospect of venting in enclosed surroundings is clearly one that equipment designers will take into account.

Vidor management have chosen an encouring name for the new cell however: they have called it "Eternacell."



Lithium batteries being manufactured at Vidor's South Shields factory, left; structure of the "Eternacell", right

NEWS IN BRIEF

CONSTRUCTION

A HYDRAULIC concrete breaker introduced at the recent International Construction Exhibition by Williams and James (Engineers), Gloucester (0452 28431) weighs 27 lb and is claimed to out-perform most 50 lb pneumatic hammers. Available in two interchangeable versions, the unit, known as the W & J Pacepik, can be supplied with a "D" handle for horizontal work or a "T" handle for normal road surface breaking.

A twin-speed control enables the striking rate to be changed from 1,000 to 2,000/min where a lighter and faster impact is required. Handles on both units can be insulated. On the "T" version, marketed as the W & J Pacebreaker, the handles will have a vibration reducing device for greater comfort. As the units require only 1½ gallons of hydraulic oil per minute the twin hoses are only ½ in in diameter.

POWER

THE DESIGN, manufacture and installation of two self-contained 80 kW capacity power-generator shelters for Saudi Arabia have been completed by the new Wysepower-Shafat consortium. Designed for six months' continuous and unattended operation, with each unit running seven days at a time, the steel shelters contain diesel generator sets, control gear, radio equipment for signalling back to base, and an air-pressure system to keep out sand and dust.

Wysepower, a member of the P and O Group, has joined resources with Shafat GmbH, Frankfurt, to develop self-contained power systems for telecommunications and microwave radio. Shafat was recently awarded the power plant maintenance contract for all 300 repeater and terminal stations in the Saudi Arabian intra-Kingdom microwave project.

Claimed to be the world's largest microwave project, it will span 10,000 kms of desert and mountains to provide television, telegraph and television facilities throughout the Saudi kingdom. Wysepower is on 0767 50011.

ENVIRONMENT

A HUMIDIFIER for research laboratories which require a constant level of humidity has been introduced by Ultrasonics, Shipley, West Yorkshire (0274 587411). Comprising a simple nozzle assembly and control box, the unit is actually a compressed air whistle which causes an intense ultrasonic shock wave. Water piped to the ultrasonic zone is broken into droplets of small and relatively uniform size with a low mass and low velocity. Water consumption is about 1½ gallons an hour.

MAINTENANCE

WHAT IS claimed to be the widest range of computer cleaning and maintenance products yet marketed by a British company has been introduced by Automation Facilities, Wargrave, Berkshire (073 522 3012). It includes Foamclene, an anti-static aerosol for removing dust, dirt and grease from keyboards, plastic covers and cases; Safeclene, an aerosol for cleaning tape drives; and Safebuds, wood-stemmed cotton bud sticks for cleaning tape heads, capstans, drive wheels and other components which are difficult to reach. Safekit, for users of small computers, is designed to provide all the items required for basic maintenance.

COMPUTING

FOR THE company which requires accounting data that are complete as well as accessible and simplified, Olivetti has introduced its TC 1800 system, described as a new multi-terminal concentrator, as a development of its TC 800. It is claimed to offer the flexibility of a clustered system with more work stations and ergonomicallly designed keyboards and VDUs.

The TC 1800 consists of two basic modules, keyboard and visual display, to which can be added such peripherals as printers and a floppy disc unit for a fully autonomous configuration. A wide range of specialised terminals for particular business needs is offered. Modular design allows the various units to be placed anywhere, it is claimed.

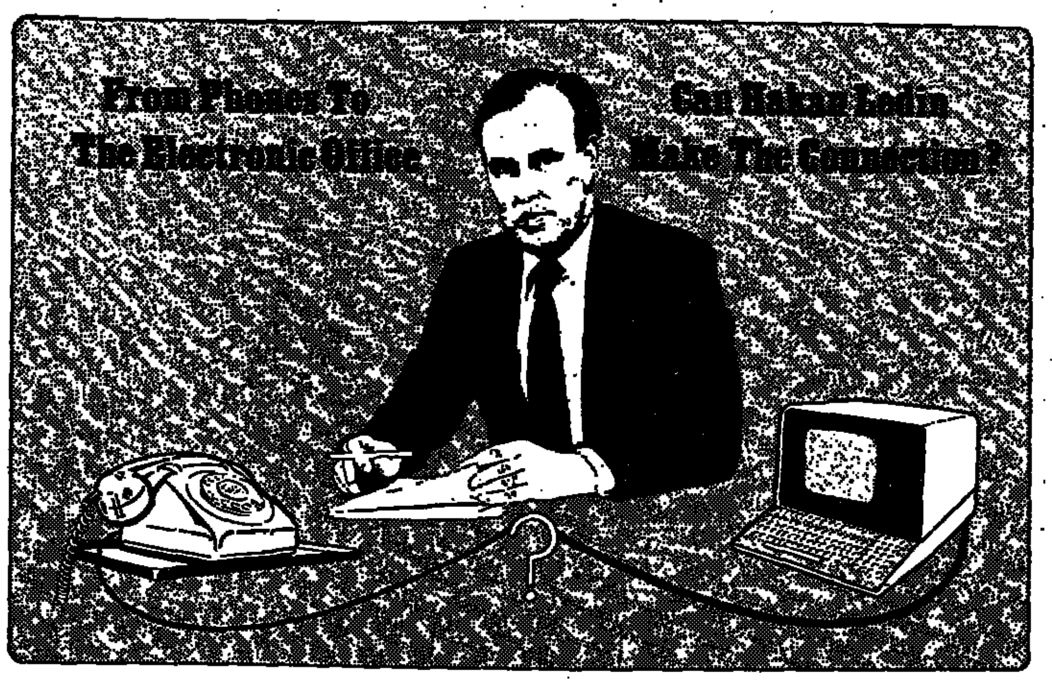
Olivetti says that for existing users who wish to update their hardware from the TC 800 to the TC 1800 the COSMOS (Communication Oriented Structured Modular Operating System) software provides compatibility with earlier systems and makes the major redesign of application programs unnecessary. A feature of the TC 1800 software is the Logical Transaction Manager, a macro language used for defining work station requirements such as screen layout and print editing.

The TC 1800 can be connected to a mainframe computer, configured in various modes as part of a larger network, or simply run on line to any of the leading makes of mainframe.

هكذا من الأصل

Switching into a high-risk market

Guy de Jonquieres explains why Ericsson's move into office technology is a bold gamble



FOR MORE than a century L. M. Ericsson has been successfully playing a sophisticated international version of monopoly.

The aim of the game is to capture orders for telecommunications switching and transmission equipment from the world's public telecommunications authorities, or PTTs. The stakes can be huge, with individual orders running nowadays into hundreds of millions—even billions—of dollars.

Winning requires a shrewd blend of technical expertise, pricing and political judgment. In Ericsson's case it has also meant a single-minded commitment, from Board level down to the shopfloor, to serving the often highly-specialised needs of the PTTs.

But now the Swedish multinational is planning to break with tradition. In one of the boldest gambles in its 105-year history, it is marshalling its resources for an assault on the fast-growing market for electronic business information systems—sometimes described as "the office of the future."

Hakan Ledin, executive vice-president in charge of telecommunications operations, admits that the move will require fundamental changes in Ericsson's management structure, indeed in its whole approach to business. But he adds: "It would be dangerous for us to stay as we are today."

At present, purchases by public authorities account for more than three-quarters of Ericsson's turnover, currently running at about SKr 10bn (£1bn) a year. Almost half its sales are of public switching equipment, notably the AXE series of digital electronic exchanges launched in the mid-1970s.

The AXE has been highly successful. More than 280 of the exchanges, with a total capacity of some 3m lines have been ordered by 27 countries—a wider international spread than has been achieved so far by any of its competitors in the digital electronic exchange business.

But though Ericsson still has a sizeable backlog of orders for AXE and hopes to win some new ones, it sees longer-term constraints to the growth of switching equipment sales. It believes that in about two years' time most countries will have committed themselves to one or two principal suppliers and that it will become increasingly hard for outsiders to break into these markets.

Technological forces are changing the shape of Ericsson's busines, too. As Ledin points out, the convergence of computer and communications technology means that the real growth market of the future will lie in the development and linking together of sophisticated private terminals attached to communications networks, rather than in the central switching equipment operated by public authorities.

Ericsson made its first move away from its traditional patch about a year ago, when it set up an information systems division which now employs 160 people. Its mission is to develop new data communications and office automation products, including word processors, electronic mail systems and private data networks.

Late last year, Ericsson agreed to purchase for SKr 299m 90 per cent of Datasaab, the financially struggling manufacturer of small computers and terminals owned jointly by the Swedish state and the Saab-Scania automotive group. The rest of the shares have been acquired by Televerket, Sweden's state telecommunications board.

Ericsson has also established a joint U.S. venture, Anaconda-Ericsson, with Atlantic Richfield, the large American oil company. At present, most of Anaconda-Ericsson's $700m-a-year business is in cable production, though its Swedish parent clearly hopes that it will provide a platform for marketing business systems in the U.S.

Ledin's goal is to weld these disparate elements into the core of a business which, he hopes, will provide at least a third of Ericsson's turnover by the end of the decade. He expects to flesh out the strategy through further acquisitions, particularly in the field of software houses, which write computer programmes.

In view of Ericsson's experience in managing huge projects, Ledin believes that it should aim primarily to establish itself as a supplier of complex information systems to big corporate customers. Getting such systems to work properly, so that machines like word processors and computers can communicate with each other, is a challenging task and depends crucially on the quality of the software designed into them.

'Sporty Saab Turbos in Datasaab's car park contrast with sober Volvos in Ericsson's. Can the two companies blend their different management styles?'

Ericsson also sees another key role for software, as a marketing tool. With Programmator, a Stockholm computer services house, it is creating small teams of software engineers who will work closely with its worldwide subsidiaries. Lars Ramqvist, head of the information systems division, describes the teams as "pilot fish" which, he hopes, will guide Ericsson to the most promising sectors of the business market.

It also hopes that private automatic exchanges (PABXs), which are expected to form the control centre of many future integrated office information systems, will open up another avenue.

Ericsson was slow to catch on to the switch from mechanical to electronic PABXs, allowing big competitors like Siemens of West Germany and smaller companies like Rolm of the U.S. and Canada's Mitel to corner a sizeable share of the market. It is now counting heavily on its new MDS 110, developed at a cost of £15m, to help it catch up. Like AXE, it is of modular design, expandable from 100 to more than 10,000 lines, and is equipped to handle both voice and data communications.

Internal communications systems based on the MDS 110 have already been ordered by London Transport, Heathrow Airport, Volvo and Swedish State Railways.

Within the next few months, Ledin plans to set in motion the internal reorganisation needed to prepare Ericsson for its new strategy. A priority will be to decentralise management responsibility to reflect the separate nature of the company's businesses.

"Our philosophy must change." he says. "Until recently, we were totally specialised in public telecommunications and there was a very close relationship between top management and operations. But we see now that we have to relieve group management of direct operating responsibilities."

This process will also involve the rationalisation and regrouping of its newer businesses. There is obvious duplication between the activities of the Information Systems Division and Datasaab, particularly in the field of terminals, and the two are aiming to agree on a common product programme to go into effect within the next 18 months.

Datasaab has been a consistent loss-maker since it was formed in 1978. Its management insist that this was foreseen by the State and Saab Scania, who provided it with SKr 430m of funding over four years, and that the company is on course to reach its target of breakeven by 1982 after a loss of about SKr 70m this year.

The biggest source of losses has been its contract to supply a computerised air control system for Moscow airport. Datasaab priced its bid low in the hope of picking up further orders for other Soviet installations. But its prospects took a battering when President Carter called on European countries to join in the embargo on Soviet trade after the invasion of Afghanistan.

The company has been more successful in the market for financial terminals and has sold systems to 120 American banks, led by New York's giant Citibank. Its other main product lines, small business computers and intelligent terminals designed to be added on to IBM and Sperry-Univac computers, are also well-regarded in the industry.

Ledin believes that Datasaab has suffered from two problems common to many newly-formed high technology companies: heavy commitments to research and development funding and a lack of management experience, particularly in overseas marketing. These factors have made it difficult for the company to generate the size of sales needed to achieve profitability.

Datasaab also lacked firm supervision by its two former owners. The Swedish Government had few management resources to deploy, while Saab-Scania was too preoccupied with its own internal affairs to spare much time on its joint subsidiary.

Ericsson clearly intends to apply firmer control. But it remains to be seen how the two companies' management approaches will blend. Datasaab's racy and extrovert style contrasts with Ericsson's soberly conservative ways. The difference is apparent even in the two companies' office parking lots: Datasaab's is filled with sporty Saab Turbos, while the taste of most Ericsson managers runs more to staid Volvo saloons.

But Ericsson's biggest challenge is undoubtedly to build up a stronger international marketing structure. With the exception of Scandinavia and Spain, its biggest sales have been in the less developed countries, while Datasaab has concentrated its marketing effort on North America and Western Europe.

But Bo Linnell, head of Datasaab marketing, says: "None of the Ericsson companies overseas is suited to selling our products without substantial new investment." And Ericsson's Lars Ramqvist notes: "Until now, we have had to knock on only one door in each country, and a big one at that. In future, we shall have to get used to knocking on many different doors."

Hakan Ledin believes that part of the solution will lie in partnerships with other companies with strong overseas marketing facilities. "Takeovers must also be part of our strategy," he says. He is mentioning no names at present, though with about SKr 2.5bn in cash, Ericsson has the resources to move in when the right opportunity comes up.

Ledin believes that demand for business information systems in the U.S., which he expects to provide about half the world market, will take off in earnest in 1983, by which time Ericsson must have the major elements of its new strategy in place. But will it be able to prove fast enough?

"One of our disadvantages is that we have been somewhat tardy getting into the market," admits Gerry White, General Manager of Anaconda-Ericsson.

There will certainly be tough competition from companies with much more experience in selling business equipment like IBM, Xerox, Philips and Olivetti, as well as from relative newcomers like American Telephone and Telegraph and Exxon. The costly mishaps which have attended the recent attempt by Canada's Northern Telecom to enter the U.S. office systems business also provide an uncomfortable reminder of the pitfalls which await the unwary.

But Ledin points out that Ericsson has succeeded before in catching up quickly when it seemed to be lagging hopelessly behind. The company was in danger of being written off as a competitor in the digital switching market until the AXE programme got under way. Development so far has cost more than £100m. But, says Ledin, "If we had not taken that decision, we would have been in very poor shape today."

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Liability for CTT

I wish to organise an "office group" of 32 members to purchase Premium Bonds on a regular monthly basis. The intention is that each member will contribute £2.50 per month and we will purchase £80 of Premium Bonds monthly for 32 months. Each month £80 of Bonds will be registered in the name of successive members until all 32 members have £80 of Premium Bonds registered in their own name. We have agreed that for the first three years all winnings will be shared equally.

Although winnings are not subject to Capital Gains Tax we believe that there may be a liability if winnings are shared out to members. Can you advise us on this and if so is there any way in which this liability can be avoided.

There should be no tax problems, provided everything is properly agreed, documented and recorded by the members. Inland Revenue statement of practice E14 (dating from 1977) says:

It has recently been suggested that capital transfer tax may be payable on winnings by football pools syndicates. The Board of Inland Revenue wish to make it clear that this is not so. Where winnings are shared out among the members of the syndicate in accordance with the terms of an agreement drawn up before the win, no liability to capital transfer tax is incurred.

Where for example football winnings are paid out, in accordance with a pre-existing enforceable arrangement, among the members of a syndicate in proportion to the share of the stake money each has provided, each member of the syndicate receives what already belongs to him or her. There is therefore no "gift" or "chargeable transfer" by the person who, on behalf of the members, receives the winnings from the pools promoter.

Members of a pools syndicate may think it wise to record, in a written, signed and dated statement, the existence and terms of the agreement between them. But the Inland Revenue cannot advise on the wording or legal effect of such a statement, nor do they wish copies of such statements to be sent to them for approval or registration.

Where, following a pools win, the terms of an agreement are varied or part of the winnings are distributed to persons who are not members of the syndicate, CTT liability may be incurred. The same principles apply to premium bonds syndicates and other similar arrangements.

Planning permission

I have some properties which fall under the jurisdiction of three local authorities. As I want to take advantage of permitted development without planning permissions, I inquired from the authorities as to what in their view constituted the original building. The first said "All buildings which had planning permission." The second's view was "All buildings which had planning permission before the 1974 planning Acts," and the third authority said "Only the very first building erected." What please is your opinion?

We think that the third authority was correct and that "original building" means literally what it says, namely the original fabric of the building which first bore the character of the present dwellinghouse; but with the proviso that if there were alterations made before July 1, 1948 (when the Town and Country Planning Act 1947 came into force) it is strongly arguable that those alterations should be deemed to be part of the original fabric.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

LOMBARD

No salvation in monetary base

BY DAVID MARSH

THE MONETARIST Merlin at the court of King Margaret has murmured magic incantations over the corpse of sterling M3 and declared that the Bank of England governor should be turned into a frog.

There have been no sightings of forked lightning or plagues of locusts over Threadneedle Street during the two weeks since Professor Karl Brunner, the Swiss-American monetary expert much respected by Mrs. Thatcher, took up half a page in the Neue Zuercher Zeitung with a stinging critique of the Bank of England's methods of regulating the money supply.

Subtle

Probably a trifle queasily after the steep rise in sherry prices, readers this morning will anyway once again be combing through Sir Geoffrey Howe's Budget speech for subtle references to what used to be known as monetary control.

So it is worthwhile recounting exactly what Prof. Brunner wrote. Remember that he is the man who much impressed the Prime Minister when she met him during her summer holidays in Switzerland.

In other words, Mrs. Thatcher may easily have already been smitten by the Brunner doctrines—especially as they are echoed in large measure by her personal economic adviser, Prof. Alan Walters.

Prof. Brunner puts a remarkably simplistic gloss on what has been happening in the UK —which might well appeal to the Prime Minister. He says that although sterling M3 has roared, monetary policy has been highly restrictive because the monetary base (notes and coin in circulation, plus banks' reserves at the Bank of England) has expanded only very slowly during the past year.

There is no great quarrel there—although Prof. Brunner should surely be somewhat less selective in singling out who is to blame. It is the Bank of England, manned by "a powerful and practically autonomous bureaucracy," which "has focused attention on the rather irrelevant aggregate sterling M3" and which "probably has not noticed what deflationary pressures it has applied with its action."

No mention at all that it was the Treasury—rather in the manner of those central American tribes who raise small and bewildered children to the status of gods—which first turned sterling M3 into an untouchable by enshrining the unfortunate indicator in its absurd medium-term financial strategy.

Where Prof. Brunner really starts to lose credibility is in his recipes for salvation. He argues that the "fixation" on sterling M3 should be given up and the Bank should stick to controlling only the monetary base, setting yearly targets for its growth and avoiding any attempts to "manipulate" interest rates.

There are no alternatives, says the professor. "The monetary policy line of the last decade has produced with its traditional tactics a sad combination of high inflation and rising unemployment. Shouldn't the Bank of England see that the game must be played with other rules?"

He writes that "various examples" (obviously too numerous to be listed in only half a page) "show that changes in monetary policy and in the money supply process, if convincingly introduced and generally understood, can break effectively even massive waves of inflation within a short time and with the smallest social costs."

Incomes

In fact, experience from abroad—West Germany and Japan, for example—is not so simple. Monetary policy succeeds in beating inflation only if the Government embeds it in a consistent fiscal and social framework—maybe including an incomes policy—which at least spreads the burdens of the transition reasonably equally among the population. This is not the case in Britain—as will be seen when wage claims in well-protected industries start to rise again at the smallest hint of an upturn in the economy.

The professor may have the best intentions. But to pretend that the monetary base can cure Britain's ills demands the imaginative faith of a brain surgeon entering the operating theatre with a tinful of leeches.

The hundred varieties of willow

GARDENS TODAY

BY ROBIN LANE FOX

THE WET early spring weather has been good news for gardeners with willows. Their young buds and catkins shine in the rain, the one bright spot among those damp runs of crocus and spring iris. Their family stretches far beyond the familiar weepers and waterside markers, lovely though these are.

Few years pass without a new willow coming to my notice, yet gardeners still tend to pick and choose as if there were only three or four varieties in the family. Willows can be black-twigged, scarlet or orange. Their leaves can deceive you into thinking they are from a magnolia.

They will creep, spread, and scent or grow anything from 6 inches to 60 feet tall. There is even a twisted form, whose stems are bent into the corkscrew shape of those old Chinese paintings of willows on silk.

Names and identities trouble any gardener, so I suggest that you approach these masters of the willow, Hilliers of Winchester, Hampshire, in order to pick up any of their 100 or so named varieties which are not clearly marked off from each other. I assume that you all know the Weeping Tree and that you will hesitate to plant yet another too close to the foundations of a building.

Willows grow quickly by throwing their roots far and wide, so those weepers will bring problems to your heirs or successors by their eventual height and the remarkable network of their roots.

Instead, I suggest you begin with the willows which stay near ground level. The best, for my money, is the one with the awful name Wehrhahnii which has taken a bow here often enough. I will only say that March is one of its peak months, the moment when its three foot high and three foot wide bushes are studded with pearl grey buds and male catkins. They glisten in the light and stand out boldly behind spring primroses and the early anemones.

Anyone can grow this variety which needs air and light but no sun. A damp soil suits it, so it is a blessing on a cold clay. It deserved its award of merit in the 1960s, but it is still confined to botanical gardens, or collectors.

I love the early ageing of its spreading branches, which twist away from the stem as if they were flexing muscles. If possible, they should be grouped in threes or fives where they can interlock into a looser cover. I would like to see this spreading willow, on banks beside a front drive, or in those mass plantings which are forced on local highway authorities. Could not the trade give it a catchy name, preferably without an arch undertone of puss or cat?

Low to the ground lie willows which are hard to distinguish and which will give you variations on creeping green-leaved stems and low yellow catkins. They are all quite fun and take me back to days in their native Arctic, where they lay a carpet over the tundra and weave among the mats of the evergreen dryas and the forms of fireweed. Their home is proof of their exceptional toughness, for there is no winter so cold that it will pin a willow's ears back. In a family which thrives in Mexico, Japan, or Kashmir, those Arctic willows are one of the less-appreciated branches.

I like the Lapland willow called Lapponum which is also found wild in Scotland. Its leaves are grey and furry, like the catkins which precede them. It is the pick of the tundra relations and I like to imagine it round the hooves of reindeer in its native moorland. In the garden it is worthwhile for its grey leaves.

This greyness is particularly precious because it thrives in wet and badly drained soil. Almost every good grey leaf hates these surroundings but the willow will be a star turn in a bog. Among the greys two are outstanding, one as slow as the other is fast.

The prettier, I think, is our native woolly willow called Lanata which ranges from Scotland across to Siberia. It was used brilliantly by the National Trust as a mass cover against weeds in some of the larger gardens during the 1960s. These dense plantings have matured and in gardens like Hidcote, Gloucestershire, you can now see the woolly willow in its full glory, about two feet high and well furnished with its rounded steely grey leaves and dossed down.

As the leaves are well rounded, they are particularly bold and suited to the contrast of these so-called "ground cover" plantings. They combine well with lighter plants, the handy catmint or the pink wild geraniums.

Their leaves can be dirtied by a black sort of drip in late August, but they are worthwhile even so and I cannot praise them too highly. I was startled last year by a group of female catkins, which were fruiting, an effort which extended them four or five inches down the stems and made an emphatic feature. Usually this willow is prized for its leaf and its sturdy slow growing habit to a height of two feet.

The creeping silver willow is faster, looser and more silky than the woolly. Repens argentea is its name and I rate it very highly. Hilliers remarks that it will grow as a standard and becomes an "effective miniature weeping tree." That sounds delightful and I must try it out.

This willow would grow quickly and spread elegantly away from a main stem. Its leaves are smaller and sparser, more a shade of silver than grey. It grows near seashores in the north, so if you have a wet stretch of sand it is just the shrub for you. Its branches will twist themselves over an ugly manhole cover and hide the worst of it.

Anyone can root this valuable shrub from cuttings and although it is not a total blanket against weeds, I like to see it massed on slopes or banks which suit its informal shape.

Finally, I will fox you with two handsome oddities. When that great hunter, Mr. Wilson, found the willow called Magnifica in West China, he wrote that he had discovered a sparsely branched magnolia. Garden pundits gave it the Award of Merit in 1913, but only the keenest and shrewdest gardeners have remembered it since. Its leaves are 9 in long and 6 in wide, oval and reminiscent of the magnolia.

At the very least, it is a tall shrub and might eventually rank as a small tree. Anyone can grow it and enjoy the huge female catkins among the bold leaves and thinly-branched form in early spring. It is a dashing plant which mixes with any wild planting, yet almost everyone ignores it.

The "Almond leaved willow" is better known especially to weavers of baskets. But owners of this one called Triandra should prize it for its scent. Some 15 ft are this willow's span, but the joy is the scent of the male catkins, a smell which comes closer to true mimosa than any other hardy plant.

I first met the scent of the hardy willow in the high Arctic delta of the Mackenzie River, where a local species lined the grey mudbanks and wafted its scent across summer fugitives from the icepacks of the Beaufort Sea.

In the one day of Polar sunshine, I was hit by a burst of this glorious scent, the first on a flower for the past two months. Beside a swirling river, and its muddied currents, it begged us to delay. A scent which you can enjoy at its fullest strength in a male Almond willow. A tree which gardeners fail to consider as a blessing to their nose.

Watch for Grand National form

RACING

BY DOMINIC WIGAN

BARRING A rapid deterioration in the weather, racing appears sure to resume this afternoon. Good to soft ground is envisaged for Catterick, but soft going was the advance report for Bangor, where the ground will be heavy on the paddock bend.

At Catterick, the most interesting event is the Peter Vaux Memorial Trophy. Backers had the best of it a year when Slaney Sid, a 7-1 chance in a 26-runner event, was the longest-priced winner.

Formerly the Brushby Handicap, this extended three-mile handicap for five-year-olds and upwards could prove to be an informative Grand National trial.

With Tommy Joe and Selby absentees, the much-improved young chaser, Bregawn, carries top weight. The Michael Dickinson seven-year-old is set to give 1 lb to the 1978 Grand National winner, Lucius, who is rated 12 lbs in front of Neville Crump's course winner, Clever General.

Bregawn, a heavy ground specialist who joined Dickinson from Kinane's Irish team early last year, has been in fine form throughout the current term, and at Newcastle last month gained his most impressive victory to date. A 2-1 chance there for the Three Fives Young Chasers' Qualifier, Bregawn justified considerable stable confidence. despite a blunder at the last, winning by five lengths from Little Bay, whom he was tackling on level terms.

Provided he doesn't lapse into untidy jumping—his one serious weakness—the locally trained stalwart should prove too fast for Clever General and Lucius, for whom this three-mile trip is on the sharp side.

At Bangor, the Gredington Hunters' Chase had promised to to be an interesting race, but is now only a moderate affair following three or four surprise withdrawals. Backers may do best to wait for the closing event. In that race, the Chirk Novices' Hurdle, the Tim Brookshaw-owned and trained, Avogem, is set for a return to winning form.

Yesterday in London at a Playboy Bookmakers' reception to honour Sir Gordon Richards, it was announced the company would be sponsoring the £10,000 added Gordon Richards Appreciation Handicap at Newbury on August 14.

CATTERICK
2.15—Sandicliffe**
3.15—Bregawn*
4.15—Caxton Hall

BANGOR
4.50—Avogem***

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.01 For Schools, Colleges. 3.00 Speak for Yourself. 3.25 Delia Smith's Cookery Sourse. 3.53 Regional News for England (except London). 3.5 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 Break in the Sun. 5.35 The Perishers.
5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.50 Triangle.
7.15 Comedy Classic: "Some Mothers Do 'Ave 'Em," starring Michael Crawford.
8.05 A Song for Europe.
9.00 News.
9.25 The Budget: The Rt. Hon. Peter Shore, MP for the Opposition.
9.35 Sportsnight.
10.25 Open Secret.
10.55 Parkinson.
11.55-12.00 News Headlines.

All Regions as BBC-1, except as follows:

Cymru/Wales—10.30-10.50 am I Ysgolion. 11.02-11.22 I Ysgolion. 1.45-2.01 pm Mister Men. 2.18-2.38 I Ysgolion. 5.10-5.35 Break in the Sun. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.10 Antur i'r Andes. 7.40-8.05 Triangle. 11.55 News Headlines, News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.55 News Headlines, News and Weather for Scotland.

Northern Ireland—3.53-3.5 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West, Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School (as BBC-1 at 3.55 pm).
4.50 Open University.
†5.40 King Of The Rocket Men.
5.55 Colter's Hell.
6.10 Master Game.
6.40 Open Door.
7.10 Mid-Evening News.
7.25 One Hundred Great Paintings.
7.35 When Cornishman was King.
8.05 Muggeridge: Ancient and Modern.
9.00 M*A*S*H.
9.25 The Life and Times of David Lloyd George.
10.25 Training at the Peking Circus.
10.45 Newsnight.
11.30 The Budget: The Rt. Hon. Peter Shore, MP, for The Opposition.

BBC-2 Scotland Only—4.20-4.40 pm Bzzz (for Children).

LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 Fantasy Island. 3.45 Food, Wine and Friends. 4.15 Dr. Snuggles. 4.20 Runaround. 4.45 Brendon Chase. 5.15 Mr. and Mrs.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Starburst.
9.00 Once In A Lifetime.
10.00 News.
10.30 The Shadow Chancellor, Peter Shore speaks about yesterday's Budget.
10.40 "I Love My Wife," starring Elliott Gould.
11.50 Sperstar Profile.
12.25 am Close: "Sit up and Listen," with Dr. John Rae.

All IBA Regions as London, except at the following times:

ANGLIA

9.15 am Jobline. 1.20 pm Anglia News. 2.45 Story Hour. 6.00 About Anglia. 11.45 Paris by Night. 12.15 am The Big Question: "Must we now learn to live without work or is it 'holy'?"

ATV

1.20 pm ATV News. 2.45 Vic Damone in Concert. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 10.40 Midweek Film: "The Buttercup Chase. 12.30 am ATV News.

BORDER

1.20 pm Border News. 2.45 The Love Boad. 5.15 University Challenge. 6.00 Lookaround Wednesday. 10.40 It's a Musical World. 11.40 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and Weather. 2.45 Star Parade (Abba). 5.15 University Challenge. 6.00 Channel Report. 10.28 Channel Late News. 10.32 A Chance to Meet . . . . Telly Savalas. 11.45 Epilogue followed by News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.45 The Love Boat. 5.15 Batman. 6.00 North Tonight. 10.40 Late News Headlines. 10.45 Police Surgeon. 11.15 Scot Sport. 11.45 Valentine's Day.

GRANADA

1.20 pm Granada Reports. 2.00 Live from Two. 2.50 Family. 5.15 Welcome Back, Kotter. 6.00 Granada Reports. 6.25 This is Your Fight. 10.40 The Late Film: "Where Have All the People Gone?"

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 "Tight Spot," starring Ginger Rogers and Edward G. Robinson. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.28 HTV News. 10.40 "Twilight People."

HTV CYMRU/WALES—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 Paul Bunyan. 4.45-5.15 Streeon Y Byd. 6.00 Y Dydd. 6.15-6.30 Reporting Wales. 10.40 Heddiw-a-Ddilyn-Ddoe. 11.25 Quincy.

SCOTTISH

1.20 pm News and Road and Weather. 2.45 Certain Women. 5.15 Traveller's Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talk Back. 6.30 Report. 10.40 Superstar Profile. 11.15 Scots Sport Special. 11.45 Late Call. 11.50 Ten Speed and Brown Shoe.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Fantasy Island. 3.15 Life Begins at Forty. 5.15 Betty Boop. 6.00 Day by Day. 6.35 Scene Mid-Week (South East Area only). 10 40 Charlie's Angels.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs are. 2.45 Danger UXB. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North East News. 10.40 The New Avengers. 11.45 Camera. 12.15 am The Value of Things.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.40 It's a Musical World. 11.40 Bedtime.

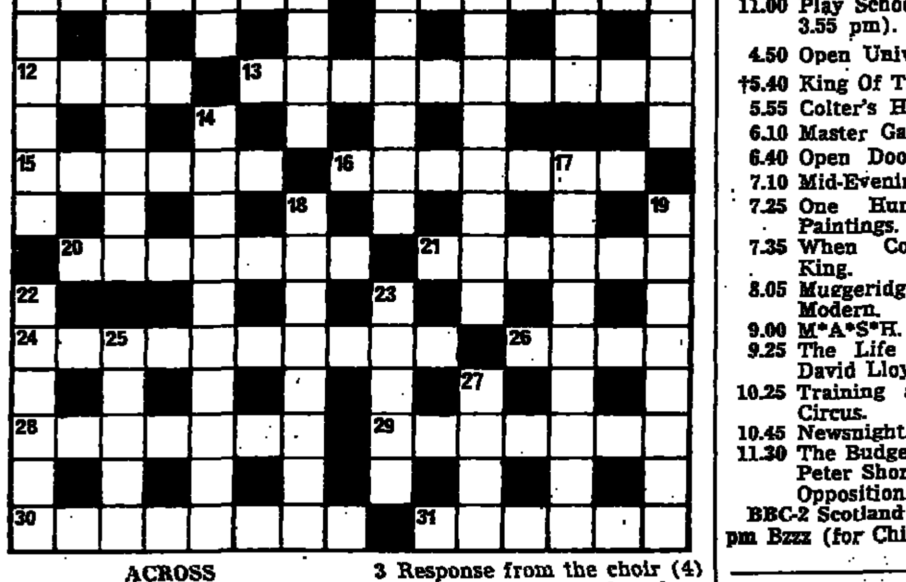
WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 Star Parade (Abba). 5.15 University Challenge. 6.00 Westward Diary. 10.31 Westward Late News. 10.40 Pro-Celebrity Snooker. 11.20 Faith For Life. 11.25 West Country Weather.

YORKSHIRE

1.20 pm Calendar News. 2.45 Lifeline. 5.15 Diff'rent Strokes. 6.00 Calendar (Emley Moor and Belmont editions). 10.40 "The Glass House."

F.T. CROSSWORD PUZZLE No. 4,516



ACROSS

1 Headgear for Harris, say, on the river (6)
4 Some lines confessing he's a poet (8)
10 This Armstrong rested, with companion, on near side of moon (7)
11 Conductor of a German composition . . . (7)
12 . . . affected manner of tunes played (4)
13 Threats to health—English in tragic reversal and setback (10)
15 One inferior article in Nigerian city (6)
16 Geological age marking beginning of preoccupation with marine form (7)
20 Kind of white that is yellow? (7)
21 Trance-like islander (6)
24 Excessive oppression Verdun bore, in a way (10)
26 Trace the attraction (4)
28 Make a bed and beat it (2, 1, 4)
29 Original cast of "My Fair Lady"? (7)
30 Mending torn nightcap (8)
31 Western supporter of art goes pop (6)

DOWN

1 He took the lead in play by Shakespeare (8)
2 Second mowing ordered at the farm (9)
3 Response from the choir (4)
5 Swindle taking such a long time, storms wildly (8)
6 Lady of the Lake? (10)
7 On the spot, obtained some gold (5)
8 Good start, hair's trimmed to look showy (6)
9 Doctor's note? (5)
14 Turner used it to represent a burnt ship (5-5)
17 Air T-shirt badly and you might get it (9)
18 Inscribed tile having nothing on; wantonly stark inside (8)
19 Ground-to-air missile (8)
22 Robbery delay (4-2)
23 Golf-club giving women an advantage? (5)
25 Make Bill work in the house (5)
27 Depressed athlete (4)

Solution to Puzzle No. 4,515

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave only

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Steve Jones' Request Show from The Ideal Home Exhibition (S). 4.00 Much More Music with David Symonds (S). 5.00 John Dunn (S). 8.00 Listen to the Band (S). 8.30 Alan Dell with Dance Band Days (S). 9.00 The Songwriters (S). 9.55 Sports Desk. 10.00 Wit's End. 10.30 Gemma Craven says Be My Guest. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

[illegible] am Weather. 7.00 News. 7.05 [illegible] Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer: Clementi (S). 9.45 Music for Organ (S). 10.30 Music for Soprano and Violin (S). 11.05 Beethoven and Shostakovich: Concert (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 BBC Northern Symphony Orchestra (S). 4.00 Wordsworth: The Prelude (abridged reading). 4.25 Mozart and the Violin: Recital. 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Victoria De Los Angeles (S). 7.15 Scientifically Speaking. 8.00 BBC Symphony Orchestra: Concert, Part 1 (S). 8.55 Six Continents. 9.15 Concert, Part 2 (S). 10.10 Ode to the North Wind. 11.00 News. 11.05-11.15 Piano Nocturne by Chopin (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.35 am. and for students in Radio Scotland and Radio Cymru areas only: 12.35 am-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-Week: Russell Harty's People. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Frank Muir Goes Into . . . . Self-Importance (S). 12.55 Weather; Programme News. 1.00 The World at at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 3.50 Zoo Talk. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM. 5.50 Shipping Forecast. 5.55 Weather: Programme News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Phone-In. 8.45 File on 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Lord of the Rings (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.00 The News. 5.15 Music on the Move. 6.33 The Name of the Game. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM — Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life (includes a feature on Jazz). 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am Richard Allinson's Night Flight.

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THE ARTS

Birmingham Rep Studio

Triumph of Death

by MICHAEL COVENEY

To say that David Rudkin writes tangled, tortured plays would win prizes for understatement. His *Sons of Light* took years to write, years to reach the stage and years to sit through. Old time religion, geological bowel movements, Wagnerian overlords, diseased limbs, dissatisfied souls. All of this comes wrapped up in a vision less sacramental than excremental.

With Mr. Rudkin in this sort of mood, the passing of motions is not so much part of the democratic process as everyone's favourite occupation. This latest constipated drama, for instance, reaches unprecedented heights of idiocy with a girl who calls herself Martin Luther straining on a monastery privy while giving us some nonsense about being the child of Joan of Arc and Gilles de Rais.

Normally one is patient with Rudkin because he *can* write like a dream and *has* written some very good plays. Not this time. It's rather like watching a dramatist topple over the edge then clamber up to the summit only to leap joyously once more into the abyss. For a start, the play is impossible to follow.

A group of survivors from the Children's Crusade is lost in the forest. On high, a papal God the Father figure (Harold Innocent) talks about subduing the Saracen. Jesus appears to a peasant boy. The poor lad turns round to find a nun coming at him. She declares herself to be the new Jerusalem, kicks off her habit and, thrusting a splendid bosom under his nose, asks to be licked clean. How Sheila Gish does this with a straight face I shall never know. Jesus turns into a mythological satanic satyr and, after a lot of grunting, groaning and general invocation of the elements, supervises the birth of the spiky-haired urchin who later turns out to be Joan of Arc.

The satyr spurts his semen over the floor (another hilariously literal detail in Peter Farago's otherwise humourless production is provided by the satyr's genitals — a case of the nose with a luminous dong) and assaults a male peasant. The lights flash, and on come the Ku Klux Klan, or the Masters of the Earth—or is it a delegation from the Greater London Council hoping to be shocked?

The whole shebang has run out of steam by the interval and we then have a St. Joan trial scene, a few "jokes" about the Inquisition, a very long speech by Gilles de Rais about drowning the world in unfamiliar faeces and eating children (Jonathan Kent does this magnificently), a final farewell to antique religion, and a warm hello to humanism from a doctor in a white coat. The audience sat still, overwhelmed with indifference. Outside, the heavens opened and we all got drenched.

Odeon, Hammersmith

Beck/Climax Blues

by ANTONY THORNCROFT

Guitar virtuosos, "axe heroes" in the street vocabulary, are out of fashion at the moment—fidling around with keyboards and synthesisers, or posturing in weird clothes or odd beliefs are the popular fancy—but it is on the guitar that rock music is built and it was a rare pleasure to see the instrument wielded well at Hammersmith this week in the nicely balanced bill of the Climax Blues Band and Jeff Beck.

The Climax Blues have not changed for over a decade. They just caught the end of the British blues boom and while their competitors of the time have waxed or waned they have carried on bashing out a souped up version of the Chicago Blues of the 1930s and 1940s, mainly for an American audience. With their relaxed, accessible, smoothly played set—the songs about travelling on and women problems—the years fell away, the feet twitched, and rock music was once again popular and uplifting. Above all in guitarist Peter Haycock they have an over-looked star, quite capable of swapping riffs with the best of them and with an attractive open style of playing.

It was a pity that the Climax Blues were hustled off after barely more than half an hour to make way for the massed keyboards and over-powering drum kit of the new Jeff Beck band. While Haycock is known only to the addicts Jeff Beck is rightly regarded as among the top two or three rock guitarists. His group in the 1960s incorporated the mixed talents of Rod Stewart and Ron Wood, and while they have stuck basically with the bluesy hard rock of those days Beck has been lured away to more doubtful activities, to a kind of jazz rock which sometimes tips over into high-class sounding film music.

But however much his current repertoire may come across as soul-less and perverse his mastery of the guitar remains complete. With a clever use of feedback and backed by a wonderfully restrained trio of top session musicians his guitar wailed and cooed, bit hard and fluttered. The expertise which went into the individual notes and chords was good enough to overcome the fact that they led hardly anywhere. However there is a good audience for these electronic flights of fancy and it is still much more thrilling hearing them at the hands of an unfussy and unflashy guitar maestro than from behind some electronically processed keyboard.

National Youth Theatre to tour Europe

The National Youth Theatre of Great Britain has been invited to undertake a major European tour in September / October. It will play at theatres in Norway, Sweden, Denmark, Germany, Holland, Belgium, Switzerland and Italy. The tour will last five weeks.

Television

Cutting the quality

by CHRIS DUNKLEY

That television is not enjoying one of its greatest periods is proved by the fact that the two best series currently on screen are repeats: *Elizabeth R* made in 1971 and *Royal Heritage* made in 1977. Their revival is welcome for several reasons: there is a completely new generation ready to watch *Elizabeth R*; some viewers will have missed some episodes of both series during earlier screenings; and both are quite rich enough — "sumptuous" might not be pitching it too high—to be well worth a second viewing. But the way they stand out from current programmes may also be deeply ominous.

Though much of the *Elizabeth* series is shot against relatively simple backgrounds the feeling of quality is palpable throughout, perhaps coming partly from the famous costumes, but mostly emerging from the extraordinary spread of acting talent which reaches right through to the bit parts.

Royal Heritage is so packed with detail from Canalettos to stamp collections, from the Brighton Pavilion to vintage cars, that nobody could take it all in at one go. Further, the more relaxed mood of a second viewing allows one to wallow in the sheer mastery of Huw Wheldon's techniques as presenter and raconteur: he combines the narrative lilt of Wynford Vaughan Thomas with the ad lib timing of Eric Morecambe. "It's a mobile" he mused of a wonderful wispy golden crown from Ecuador. Then, in an aside, thrown away with just the right degree of carelessness — the tone clearly putting brackets round the phrase—"Long before Calder!"

No doubt even the eyes of royalists will sometimes have widened in incredulity at the quantity and variety of goodies squirrelled away over the centuries by our kings and queens, though the last episode in the series on Friday seeks to show how much more accessible to the public many of them are today. But it is the richness in programme-making which interests me here, and the way in which today's material is beginning to compare rather badly with repeats such as these.

Lucy Gutteridge, James Warwick and Cheryl Campbell in "The Seven Dials Mystery."

The picture is not entirely consistent of course. Sunday's version of *The Seven Dials Mystery* lasted 2½ hours, felt like 12½, and you could measure the depth of the gloss with a ruler. A whole collection of simply rippin' country houses served as settings, a positive procession of vintage cars (well, three or four but cunningly deployed) was led by a smashin' Delage, and if John Gielgud (in Eton and MCC ties) was rather less than challenged by his cameo role of eccentric upper class Daddy he was nonetheless present and these days, presumably, Sir John doesn't come cheap.

Cheryl Campbell made much, maybe a shade too much, of the gay young flapper daughter out on the sleuth, and James Warwick in the Cowardly role of Jimmy Thesiger was so spot on that he kept looking like Michael Palin in a *Ripping Yarns* parody.

A pity then that the raw material, the plot, was so hopelessly unconvincing. But if people will choose Agatha Christie in preference to scores of better writers of whodunnits, what can they expect? Clearly the quality of the story was not the central consideration: the point was that money was not only spent but seen to be spent. Ratings will have been high—hence the American style blitz of commercial breaks around 10 o'clock—and foreign sales will follow.

Earlier in the week a much more serious drama, *Hedda Gabler*, also looked far from poverty stricken. John Osborne was hired to adapt it, Diana Rigg starred, and even after cuts it still ran to 1½ hours. Since I am no lover of Ibsen, whose Scandinavian gloom depresses me, nor of the studiously bilious Osborne whose television work has lacked proper understanding of the medium, I expected very little. Yet the result was oddly impressive, even though there was still precious little to like in either the play or its central character.

Where the great playwright (Shakespeare above all) handles human fallibility and moral problems in a way that is practically timeless, so that *King Lear*, say, loses amazingly little by being transposed to the 20th century, Ibsen, for whom similar abilities have been claimed, has always seemed to me, on the contrary, to be far too concerned with the minutiae of bourgeois mores in late 19th century Norway to spare enough time for bigger things.

Osborne's considerable achievement was to use cuts and textual amendments (a few mystifying: why change "vine leaves in his hair" to "wine and roses"?) to make a subtle but significant alteration to the tone of the work: it felt much less firmly anchored in its own time, more concerned with eternal moral/social problems, and consequently of much more interest to a modern television audience. One even began to wonder why David Cunliffe and Pat Sandys hadn't gone the whole hog and asked Osborne to update it to the present. Perhaps they were afraid it would get lost among today's feminist tracts . . . ,

Still, whatever the internal qualities of the play this was a new production and clearly a pretty lavish one, so what about the claim that the repeats look richer than current programmes? There are two distinctions to be made: *Seven Dials* and *Hedda Gabler* were both single productions and both came from ITV whereas *Elizabeth R* and *Royal Heritage* were both series and both came from the BBC.

Clearly one cannot support any very firm conclusions on a contrast drawn between such a small number of programmes, but they can be seen as interesting straws in the worsening wind. British politicians are as fond as ever of declaring the superiority of British broadcasting; when abroad they bask in the envy of foreign colleagues. Yet at home while offering little more than token resistence to rises in the road fund licence, mortgage rates, and so on, they pretend that a reasonable rise in the television licence fee would be a national disaster and they consequently ensure that the BBC's spending power falls and falls.

I have been saying for some years that such a policy must eventually have its effect on the quality of programmes on the screen, warnings which have been virtually meaningless since programme makers have again and again found cheaper ways of working. Moreover the big series have continued—or have seemed to. *Life On Earth* was enormous: long, expensive to make, elaborate and high quality. But Reiner Moritz is enjoying all the foreign profits because the BBC sold him the foreign rights in order to finance production. What's more, the BBC started making that series years ago, before the squeeze was really on.

Furthermore *Life On Earth*, like the BBC's forthcoming seven-part series (seven notice, not 13) with Richard Leakey on *The Making Of Mankind* is on a sure-fire international subject. No doubt the BBC's reputation will continue to make it possible to raise money somehow to make series with such predictable international appeal. But *Elizabeth R? Royal Heritage?* It seems unlikely that the BBC could even consider undertaking such series today.

Obviously there was slack to be taken up in programme making habits. But the policy of persistently under-capitalising one of the few concerns in which Britain still led the world is, sure enough, having precisely the effect that has been identified in so many other British industries, and I believe the result is now becoming evident on screen.

True, television is not strictly comparable to shipping or the car industry, and the BBC is not the be-all and end-all of British broadcasting. But it is the first source, it is still the backbone, and still the exemplar. It still has the staff and the techniques to turn out many fine programmes. Last week's one-off documentary by Philip Speight, *The Glazebrook Touch* about the man who nurtures Steinway's concert grands, was a fascinating gem. *Hi De Hi!* is rapidly proving to be a vintage sitcom worthy to stand alongside *Dad's Army*.

But it is not just chance that Saturday's highly enjoyable *Marriage of Figaro* (reviewed here in full by David Murray on Monday) was bought in from Unitel instead of being made by the BBC, nor that *Traviata* when it comes live by satellite to the BBC from the New York Met later in March, will be directed by Brian Large who was until recently the BBC's own top opera producer but will then be working for Unitel.

If meanness over money causes great series and great producers to drift beyond the reach of the BBC then the ethos of the corporation's programme-making will be lost, and *Elizabeth R* and *Royal Heritage* will be to British television what Alvis and Lagonda cars are to the British motor industry: reminders of a glorious past.

St. John's Smith Square/Radio 3

Dido and Aeneas

by MAX LOPPERT

Dido and Aeneas is an opera, a music drama whose every note craves a stage complement; its choice as sole offering in Monday's BBC Lunchtime Concert was, on the face of it, curious. Yet both of the London opera houses are too large for a comfortable housing of Purcell — and the latest attempt to do so, by the English National three years ago, was unhappy from more points of view than simply those related to size.

Better a concert performance than modishly uncomprehending productions such as that one, and others of recent memory. Better especially when the concert performance is as fine as Monday's. The work came across with all its direct-speaking power intact. Richard Hickox, conductor of the ENO show in 1979, understands the exact meaning of Purcell's famous concision of dramatic means, his need to be presented without interpretative clutter; the conducting, forward, strongly rhythmic, was excellently dramatic in all ways. There were no alien pauses between numbers (yet there was air for the recitatives, unerringly paced); each section had its justly defined character; the whole work moved without falter. Mr. Hickox's own Singers and City of London Sinfonia responded to the ways of his beat better than the opera house orchestra could.

In such an experience of the opera, the central dramatic opposition between two queens, one of light and one of darkness, each with her own retinue, was acutely felt. Fiona Kimm's Sorceress, indulging in no additive vocal devices, was dark, clear and alarmingly vehement. Ann Murray, a most beautifully natural Dido, has learned the art of commanding the centre of the stage without straining to do so. (A minor flaw: Miss Murray's delicately formed soft singing seems to preclude clear consonants.) Between these two poles Aeneas is bound to appear vacillating; it was a particular virtue of Stephen Varcoe's light, exactly focussed baritone that he could do so and still retain some measure of sympathy.

The edition, by Basil Lam, effectively allots several of Belinda's phrases to the Second Lady; Marie McLaughlin and Elizabeth Lane were effectively contrasted, and on its own Miss McLaughlin's lustrous soprano filled the hall. This was a splendid hour, and its radio repeat (on Easter Monday) will be worth watching for.

Lyric Studio

The Cockroach that Ate Cincinatti

by B. A. YOUNG

No cockroach ate Cincinatti. This one-man performance by Alan Aldred is simply a long fantasy presenting the thoughts of a young person as they drift through his mind in the summer of 1979. The date is important, for it is the first part of a trilogy, each part of which deals with a different date. This part begins with a hysterical vision of a great pop concert, of which one item is "rock journalists melting their pens in a frenzy of free association": and a frenzy of free association is just what Mr. Aldred's script (written pseudonymously by himself) is.

It deals with the birth of rock-and-roll in the 'fifties, with teddy-boys, with childhood devotion to super-heroes like Batman; then forward in time, through a period devoted to Taoist psychology (devoted by others, that is), to a detachment from sanity where a giant cockroach is heard eating up Wolverhampton and a pub-fight leads to some time in the bin.

It is written with much skill, and delivered with skill too, the rambling narrative seasoned throughout with the grace-notes of our time (if you are under 30) — "right," "you know," "like," "man" and the rest, dropped in like currants in a bun. Mr. Aldred, dressed for the '50s in tight (but not sexy) trousers, grey sweater with check shirt peeping out over his bum at the back, pin socks over yellow shoes, speaks as if he were making the whole thing up as he goes along, and emphasises it with energetic but meaningless gestures. The point of it all escapes me, but the audience laughed whenever they heard a familiar name — Dylan, Captain Beefheart, Freddie and the Dreamers — especially if it were treated with disrespect.

Permanent 'Origin of Species' exhibition

Origin of Species, a major permanent exhibition at the Natural History Museum, London, SW7, opens on May 28. This new display will use a wealth of examples from the living world to explore the theme of natural selection and the evolution of species.

The exhibition begins with Charles Darwin, who was the first person to think of a convincing mechanism for evolutionary change—a mechanism he called natural selection. Later exhibits explain what the word "species" really means.

Imperial Tobacco to support concert series

A series of 26 summer and autumn concerts will be presented at St. George's, Brandon Hill, Bristol, by the St. George's Music Trust in association with Imperial Tobacco.

The programmes, many of which will be broadcast on Radio 3, include appearances by the English Concert, André Tchaikowsky, Trevor Pinnock and the Gabrieli Quartet.

The church is a Georgian building, built in 1823, and in every way is considered a thoroughly suitable setting for chamber music.

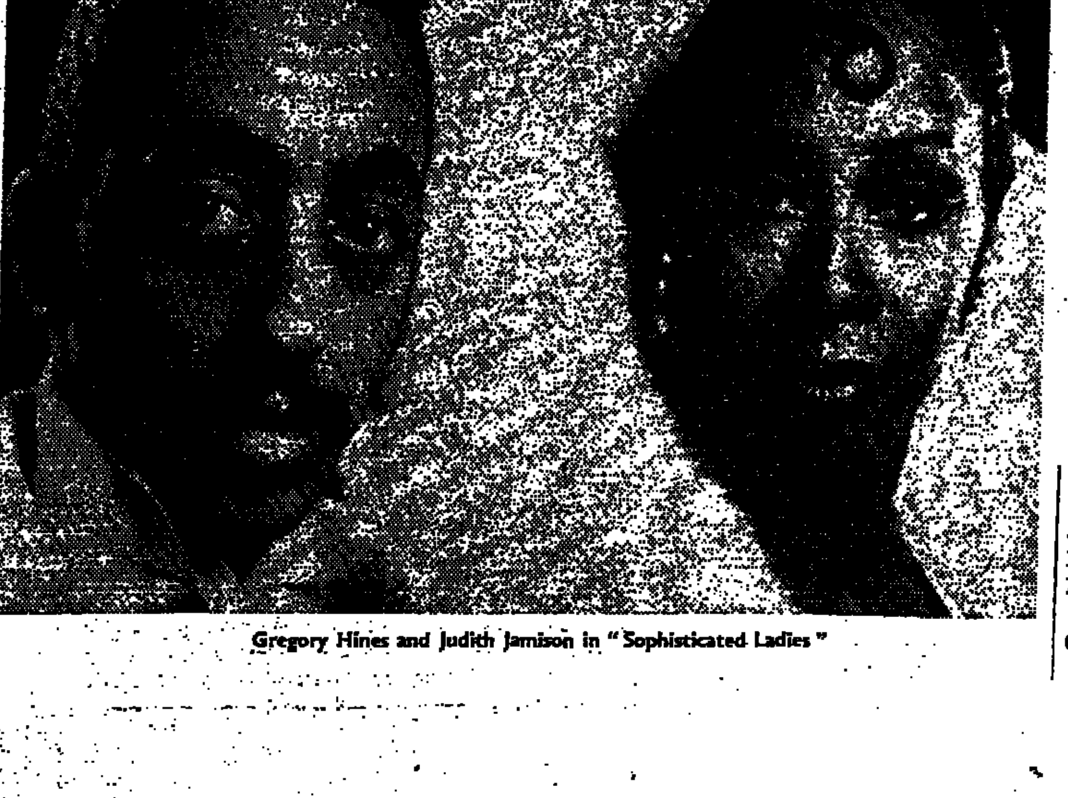
Broadway kicks over the traces

by FRANK LIPSIUS

A recent snowstorm has not diminished the fervid energy that infects New York with inflation-inspired, go-for-broke, hysterical activity. Everything seems up for grabs, on the make, in heat. Compared to the three-card Monte shell game played in the street and real estate played in the skyscrapers, the theatre attracts a legitimate sort of gambler who will throw money at a "concept" that no playwright ever conceived.

This week's two hits are the remake of a 20-year-old musical that made fun of Elvis's induction into the army and a slick staging of Duke Ellington's music. Neither required a particularly clever book, though *Bring Back Birdie* at the Martin Beck Theatre thankfully has one by Michael Stewart and equally clever lyrics by Lee Adams as set to Charles Strouse's score, which is reminiscent of the original. Since Strouse and Lee were responsible for the old *Bye Bye Birdie*, they are entitled to crib their own cleverness, especially with their ability to mock a new generation's pretensions and obsessions with the same good humour that they once applied to their elders. Hare Krishna, teenage sex, parents' divorce (in a ditty called "When Will Grown-Ups Grow Up?"), mixed ethnic marriages and women's lib all get a gentle ribbing. Famous old Donald O'Connor stars with impressive agility, a considerable feat in keeping up with his ever-spry co-star Chita Rivera.

But Joe Layton, whose credits include having "conceived" as well as directed the production, did not rest content with these numerous attributes. He also lavished the show with a set design and props that overwhelm the rest of the principals. With the pretext that the plot turns on the climactic return of Conrad Birdie on a Grammy-awards television show, the whole production exudes video. Nine television screens sit on stage showing gigantic closeups of characters as they perform. All of David Mitchell's props and sets are rear-screen projection photographs of objects, including suitcases, tables and a spitoon, each carted out in its own little box. Those braving the snow to escape an evening's viewing in front of the telly will no doubt be disappointed; but the show's "conceivers" have gambled — successfully — that the young generation also likes its legitimate theatre in two dimensions.



Gregory Hines and Judith Jamison in "Sophisticated Ladies"

Sophisticated Ladies, the Duke Ellington tribute at the Lunt-Fontanne, has dispensed with a book altogether except for the brief exchange between a young lady and the man she kisses. He asks, "Why four kisses?" She answers, "One for each cheek."

Wisely opting to rely on the strengths of the concept rather than extraneous dialogue, the show opens as though this were the famous Cotton Club in its Harlem heyday. A splendid cast led by Judith Jamison, Phyllis Hyman, Gregory Hines and Gregg Burge sings and dance the daylights out of the music. A 16-piece band plays on stage, led by the composer's son, Mercer Ellington. An air of sophistication is ably achieved by Tony Walton's sets which come as sparse neon designs against the dark spotlit stage where Willa Kim's costumes sparkle.

Having opened its tryout to bad reviews in Washington, the show's vigorous and imaginative choreography is attributed to the head of the San Francisco Ballet, Michael Smuin, who was brought in to spruce it up. Except for Miss Jamison's unfortunately artsy ballet to Priscilla Baskerville's beautiful rendition of "Solitude," the choreography manages to match the moodiness of the music with appropriate but not langorous dance sequences. An exciting game of poker is performed to "Koko," while "Caravan" is done in 1920s aviator costumes with a dancing line in the shape of a smoothly gliding plane.

The Manhattan Theatre Club picked a thoroughly British drama by Simon Gray to prove that playwrights can still be accommodated in concept-rife New York. "Close of Play" is not an easy work. It begins with funny pokes at the British middle classes that are sustained only as minor soap-opera intrigues. Dazzling invective is trivialised by the time the most normal of the crew admits his own weakness to a totally silent central figure.

A wood-panelled sitting room set by John Lee Beatty well suits the Ménage that features John Horton as the stolid older brother, John Christopher Jones as his drunken sibling, and Pauline Flanagan as their new stepmother. Lynne Meadow directs the play with an understanding of the author's deadly satire, though the broadness of the initial farce constricts the play's development and cohesion.

'Entertaining Mr. Sloane' returns

Entertaining Mr. Sloane by Joe Orton, opens at the Lyric Hammersmith on Wednesday, March 18 at 7 pm.

The cast includes Glyn Grimstead, Dave King, David Blake Kelly and Barbara Windsor. The director is Kenneth Williams, a close friend of Orton's, who made his directing debut in the Studio Theatre at the Lyric, last August, with the author's *Loot*.

LETTERS TO THE EDITOR

Wide social changes

From the Director of Social Forecasting, Henley Centre for Forecasting

Sir,—I enjoyed Malcolm Rutherford's article on Saturday, reviewing a few of the results from our 1981 "Planning for social change" survey of public attitudes. His analysis and the conclusions he reached were both interesting and accurate. I think, however, more could have been made of one aspect of the survey results: the differences in attitudes (or often the lack thereof) between supporters of the different political parties.

We have been somewhat surprised at the extent of the absence of pattern in the attitudes of those with different political sympathies: in particular, those saying they would support the new centre party rarely fall neatly between Labour and Tory supporters on the battery of questions relating to major political, economic and social issues.

One survey is not going to prove anything, especially a survey mainly aimed at investigating consumer rather than political issues. The Centre's social futures group, however, has been suggesting for some time that the traditional polarity in institutional politics, basically organised on the assumption of a fundamental opposition of interests of capital and labour, is increasingly inappropriate. In our view, the pervasive ambivalence or apathy about politics relates in part to irrelevance of ideologies attempting to mobilise support around issues of principle and a rhetoric of a previous era. Increasing numbers of issues, from defence matters, to concern about the environment, to support for the squatters movement, transcend the traditional modes of socio-political segmentation. This is not to suggest there is no substance to the labour/capital conflict. It does mean that until Westminster and local politics recognise an incipient value fragmentation, and several other dimensions to the divides between people, public lack of interest in politics must be expected to remain.

Perhaps the emergence of a new centre party is the first response to the wider social changes we suggest have occurred. One waits to see whether politicians educated and practised in the old order have the imagination and flexibility to cast themselves in a really new mould.

Bob Tyrrell.
The Henley Centre for Forecasting,
2 Tudor Street, Blackfriars EC4.

Only a guide to profit

From Mr. E. Whiting

Sir,—The article by Paul Seddon and Peter Hazell ("Why managers can benefit from inflation accounting", March 2) is much less convincing to me than the words of Sir Kenneth Bond and Lord Weinstock. There are numerous holes in the argument of Seddon and Hazell but I will confine my attention to replacement cost depreciation and the gearing adjustment which are the most contentious features of CCA.

Replacement cost depreciation may be convincing where the assets have a fairly short life, as with vehicles and office machines. But, where long-life fixed assets are concerned, the concept is of little use in management decision-making or control. It is too ephemeral, the world is too uncertain to look so far ahead and strategy is not just replacing what you've already got. Pricing is in any case based largely on what the market can bear. If the result is a CCA loss in any division or company, much more information would have to be obtained before condemning it to closure. Its cash flow may be very good, but long-term prospects may suggest that the key fixed assets are not worth replacing when they eventually wear out. The tragedy could be that, if the management follows the advice of the Deloitte consultants, thousands of people could be made redundant prematurely and perhaps, in the end, unnecessarily.

Replacement cost depreciation is only a guide to profit on the assumption of real capital maintenance. For some companies, this may be an impossible goal. For others, some divisions may have to contract while others expand. The breakdown of the depreciation into small units will be of little assistance to management in making decisions about the future of its divisions, which will depend largely on strategic planning looking perhaps no more than five years ahead in most companies. Beyond that considerations of replacement may be somewhat academic.

The gearing adjustment is not mentioned by Seddon and Hazell. Suffice it to say that CCA as a measure of overall profit cannot stand without it, yet it is almost universally acknowledged to be of no use to management decision-making and was severely criticised by over half of the respondents when the proposed accounting standard for CCA was issued for comments.

Return on capital employed under CCA should, in my opinion, never be used until the implications of replacement cost and loan finance have been properly researched. On the face of it a CCA return will produce a fairer measure than the old historic cost based return, but the considerations of valuation of the asset base, the relevance of replacement cost, and the valuation of loans, are likely or, indeed, certain, to bring new anomalies. The fiasco of the target CCA return for water authorities will not be the last if a shaky CCA concept is pursued so relentlessly and unthinkingly.

Edwin Whiting.
(Lecturer in Management Control),
Manchester Business School,
Booth Street West,
Manchester.

Equally treated

From Mr. H. Spender.

Sir,—May I be allowed to add a contribution to the "Index-link" saga, and suggest that, as from a reasonable future date, all employer (including Government) contributions to employment pensions cease? As a sop (sic) all employees are offered the same incentives as "enjoyed" by the self-employed, viz:—that their own contributions to a pension be the sole one to any amount they can or wish to save, but with 17½ per cent of their gross earnings allowed free of tax on presentation of an Income tax return. The pension, of course, is taxed fully when eventually received.

Think of the effect upon direct operating costs of some (many) employers; and the great relief to all of the disappearance of Index-linking from the scene! Truly, in real socialist fashion, all working men and women will be equally treated, with pension returns dependent solely upon one's own contributions. One appreciates, also, there will be quite a relief to company and nationalised accounts, but both should be able better to offset the weight of adverse exchange rates, so that exports would soar (at least theoretically).

Herbert R. Spender.
45 Huntly Road, Bournemouth.

Index-linked pensions

From Mr. A Jeffrey.

Sir, — I am writing to draw attention to one erroneous statement in Eric Short's otherwise well-balanced article on index-linked pensions on March 3. As a general proposition it is simply not true that "while an employee is working, his pension remains inflation-proofed."

I am a former employee in the public sector, receiving an index-linked pension from an actuarially based contributory fund to which I paid for over 40 years a much higher proportion of income than the 4 per cent mentioned by Eric Short.

In the public sector, at least, I know of no scheme in which commencing pension is calculated as a fraction of actual final salary, the most favourable arrangement being that where pension is calculated as a fraction of total salary during the last 12 months of service. When I retired towards the end of 1976 I was therefore relatively fortunate in having my pension calculated in this way, but owing to rapid inflation (and to some extent then current wages policy), at the date of my retirement the RPI had risen by over 26 per cent since the time when the rate of salary which I had received during the last year had been determined. Hence in real terms my starting pension was over 26 per cent below what it would have been in the absence of inflation and it can never be more (although by the time I received the first supplementation this had become almost 50 per cent below). So much for talk of "inflation-proofing."

I am in fact one of the lucky ones. Many others have commencing pension calculated on average salary during the past three years, or in now exceptional cases the past 40 years.

A. Jeffrey.
4, Copse Close, Redhill, Surrey.

Demographic revolution

From Mr R. Nottage

Sir,—In responding to your leader "How to help the elderly" (March 4) Mr. Bandey, president of the Society of Consulting Actuaries, rightly says (March 6) that we must seek "a reasonable deployment of national resources between the various conflicting interests."

In doing this we must remember that the nation now has to support over 9.5m persons of retirement age, and does so mainly through national insurance pensions and supplementary pensions, both of which are financed, through various taxes on a pay-as-you-go basis. At the same time, however, we are seeking through a multitude of employer-based and funded schemes to pay in advance for a large part of the pensions of nearly half of the next generation's elderly persons.

The money set aside for this purpose is already some £50bn; and the Government Actuary told the Wilson committee that the employer-based pension schemes as now constituted, assuming they could secure a positive real rate of return on their investments of 3 per cent, would need to increase their assets by the year 2000 to £110bn at 1978 prices. If, however, the attainable rate of return is lower, as now seems probable, the pension funds would need to lay claim to a much larger part of the nation's wealth.

The policy of trying to meet more than one generation's needs out of a single generation's resources would be extravagant at any time. Now, however, when we are in a demographic revolution which is making pensioners a much bigger proportion of the population than ever before, it is reckless to the point of folly. Can it be any wonder that Britain's finances are under serious strain and at the same time its pensioners are among the poorest of Western Europe?

The urgent need is to make greater use of the state pensions scheme, which closely relates the elderly's present needs and the nation's present resources; and to diminish the role of employer-based schemes which impose on the present working generation burdens of a kind and magnitude they ought not to have to bear.

Raymond Nottage.
36E, Arkwright Road, NW3

Recruitment problems

From Mrs. Wright

Sir,—While musing over my marmalade-making on the recruitment problems of Western Trusts's Roger Pickering (Jobs Column, 26/2/81), the following possibilities occurred to me.

Jobless managers (male) aged 50-plus may be finding they prefer (especially if they have contrived to negotiate good redundancy terms for themselves) to be able to call their time, skills and souls their own and not the property of company X or bank Y in return for more money than they need which fails to compensate for the loss of values and relationships they can't buy. I am not, of course, suggesting one leads a life of happy independence in the dole queue, having stood in it myself in the past.

While some women appear to thrive on working all hours for an employer as well as running a home and supporting dependents, many are realistic enough to admit that this is impossible for them. If Mr. Pickering tried advertising his management post as open to sharing arrangements, he should get a good female response.

Of course there is the risk that, since job-sharing would presumably have to be offered to men also, male response might scotch the myth of the virile, full-time, profit-enhancing human dynamo. I do hope Mr. Pickering will take the risk, and that Mr. Dixon will duly report the results.

(Mrs.) Patricia Wright,
7 Whitson Place, Oxford.

The newspaper industry

From the Director The Newspaper Society

Sir,—Your short piece (February 27) on the report on the newspaper industry by the National Institute of Economic and Social Research did not make it clear that the heavy criticisms of newspaper managements in the report were almost entirely addressed to the problems of the national newspapers, especially in London.

The report made little reference to the regional Press, but it did point out, for instance, that 53 per cent of provincial newspapers have had cold-typesetting technology for several years now. This is only one example of the modernisation which has been developed steadily in the regions for two or three decades.

It is a mistake to equate the performance of the regional Press with that of the nationals; and an even greater mistake to lump together in economic terms these two quite distinct arms of publishing.

Douglas Lowndes,
The Newspaper Society,
Whitefriars House,
Carmelite Street, EC4.

Shareholders' interests

From Mr. J. Bourlet

Sir,—Your leader "A fog over mergers" (March 2) commenting on the Lonrho referral to the Monopolies Commission pointed out that one school of thought considers conglomerate merger (that is mergers between non-competing firms) unacceptable because the independence of medium-sized firms may be threatened while another school of thought finds them acceptable because they do not involve the creation of any monopoly however defined.

May I suggest that there is a third group who are concerned, not so much with questions of monopoly or industrial structure as with the relative position of shareholder and management interests and powers. A serious problem exists in the fact that shareholders are scattered and small and often exert so little influence on management that firms can be run on the basis of maximising growth and management reward rather than maximising profit, which leads to (in economists parlance) a "misallocation of investment resources." There is a long and interesting debate on this subject.

Now if a firm is owned by a holding company—if it is part of a conglomerate—then it faces, in effect, a single, strong shareholder who can exert financial discipline and who can then pass on the benefits to the small shareholders of the whole group. This is the way towards a more "acceptable face for capitalism" and is certainly better than an apparently cosy relationship between management and city institutions at the expense of shareholder interests.

James Y. Bourlet,
26 West Square, SE11.

Steps to cure inflation

From Mr. K. Taylor

Sir,—The recent article entitled "Battered, but unbowed" (February 27), showing how UK relative unit labour costs have risen by over 30 per cent in two years, prompted me to re-read an article by Mr. Harris published in February, 1978. In this most interesting article, Mr. Harris, with the aid of his Martian friend, effectively told us that the UK economy was much stronger than we thought, at least that's the conclusion I drew.

Could not Mr. Harris ask the Martian to review the current "numbers" because I am becoming increasingly convinced that, while monetarism (or driving up interest rates) is an effective tool to cure inflation, 1979 was just about the worst possible time to start applying it.

Surely our current export performance, despite the deterioration in competitiveness as defined above, points to the fact that the previous Government's export-led growth objective would have been more than fulfilled but for the present Government's switch to such deflationary policies.

Even allowing for the 1979 oil "shock," the UK economy would have been more soundly based on a strengthening exporting industry (in the public and private sectors) with the growing oil funds being hopefully offset by investment abroad as well as higher consumption at home. The only crumb of comfort I think we can gain from the catastrophe is that it may have generated a political movement towards a powerful Parliament which will represent the people as individuals and not the institutions which have outlived their usefulness.

K. Taylor.
Haulfryn, Leadbrook Drive,
Flint, Clwyd.

Today's Events

GENERAL

UK: National Union of Mineworkers and National Coal Board discuss coal industry at Department of Energy.

Sir Raymond Pennock, Confederation of British Industry president, speaks in Manchester.

Mr. Nicholas Goodison, Stock Exchange chairman, speaks on the City, St. Lawrence Jewry Lenten lecture, 1.15 pm.

Association of External Members of Lloyd's meets to discuss policy on self-regulation.

Sir Richard O'Brien, Manpower Services Commission chairman, speaks at Financial Times conference on tomorrow's technology, Gloucester (until March 12).

Overseas: Queen Beatrix of the Netherlands starts state visit to Luxembourg (until March 13).

European Parliament in session, Strasbourg (until March 13).

COMPANY MEETINGS

Blundell-Permoglaze, Connaught Rooms, Gt. Queen Street, WC, 12. A Kershaw, 38 South Street, W, 10.30. Leys Foundries and Engineering, Colombo Street, Derby, 12. Lookers, Lancashire CCC, Talbot Road, Stretford, Manchester, 12. Rank Organisation, Royal Lancaster Hotel, Lancaster Terrace, W, 12. R. Smallshaw (Knitwear), Druid Street, Hinckley, Leicester, 12.

PARLIAMENTARY BUSINESS

House of Commons: Budget debate.

House of Lords: Debate on competitiveness of British Industry in world markets. Coupled with debate on the competitiveness of British industry, the Warner Report. Licensing (Amendment) Bill second reading.

Select Committees: Foreign, on foreign affairs matters. Witness: Lord Carrington, Foreign Secretary. Room 15, 10 am. Education, on secondary school curriculum and examinations. Witnesses: TUC, CBI. Room 8, 10.30 am. Industry and Trade, on effects of British Steel Corporation Plan. Witness: Mr. Ian MacGregor. Room 16, 10.45 am. Public Accounts, on accounting arrangements for Magistrates Courts. Witness: Sir Brian Cubbon, Permanent Under Secretary, Home Office. Room 16, 4 pm. Employment, on Department of Employment Group. Witness: Training Services Division, Manpower Services Commission. Room 8, 4.30 pm. European Legislation, on Common Agricultural Policy Price Proposals 1981-82. Witness: Mr. Peter Walker, Minister of Agriculture. Room 15, 4.30 pm. Social Services, on medical education. Witnesses: British Medical Association. Room 21, 4.30 pm.

London Clearing Banks' balances

as at February 18, 1981

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	£m	Change on month £m	£m
Sterling deposits:				
UK banking sector	5,917		+ 452	
UK private sector	40,197		− 285	
UK public sector	636		− 398	
Overseas residents	4,570		+ 19	
Certificates of deposit	2,206		− 66	
		53,526		− 277
of which: Sight		17,938		− 445
Time (inc. CD's)		35,587		+ 169
Foreign currency deposits:				
UK banking sector	9,007		− 218	
Other UK residents	1,943		+ 154	
Overseas residents	20,107		+1,250	
Certificates of deposit	1,822		+ 235	
		32,879		+1,421
Total deposits		86,405		+1,144
Other liabilities*		12,740		+ 216
TOTAL LIABILITIES		99,145		+1,360
ASSETS				
Sterling				
Cash and balances with Bank of England		1,458		+ 170
Market loans:				
Discount market	2,348		+ 50	
UK banks	9,196		+ 451	
Certificates of deposit	1,664		− 68	
Local authorities	1,136		+ 6	
Other	1,122		+ 74	
		15,465		+ 513
Bills:				
Treasury bills	190		− 17	
Other bills	1,118		− 14	
		1,309		− 31
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,613		+ 36	
Other	1,940		− 1	
		4,553		+ 35
Advances:				
UK private sector	31,461		− 375	
UK public sector	270		− 144	
Overseas residents	3,078		+ 184	
		34,808		− 334
Other sterling assets*		7,130		− 456
Foreign currencies				
Market loans:				
UK banks and discount market	8,552		+1,082	
Certificates of deposit	206		− 7	
Other	14,048		− 116	
		22,805		+ 959
Bills		36		+ 5
Advances:				
UK private sector	2,167		+ 60	
UK public sector	832		+ 70	
Overseas residents	6,832		+ 443	
		9,831		+ 572
Other foreign currency assets*		1,751		− 72
TOTAL ASSETS		99,145		+1,360
Acceptances		979		+ 108

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	86,405	+1,144	24,961	+643	15,386	+416	18,034	+ 45	25,568	+ 36	2,456	+ 3
ASSETS												
Cash and balances with Bank of England	1,458	+ 170	429	+ 81	247	+ 15	348	+ 66	404	+ 14	31	− 6
Market loans:												
UK banks and discount market	20,095	+1,583	5,636	+336	3,395	+626	3,052	+329	7,458	+260	554	+ 34
Other	18,175	− 111	5,341	+147	4,417	− 84	3,103	−241	4,770	+ 95	544	− 28
Bills	1,345	− 27	322	− 7	180	+ 1	333	− 38	486	+ 20	24	− 2
British Government stocks	2,613	+ 36	842	+ 22	366	+ 25	776	− 11	555	—	74	—
Advances	44,639	+ 238	12,978	+ 70	7,646	+234	10,344	+ 44	12,359	−128	1,312	+ 18

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL Outstanding	TOTAL Change	BARCLAYS Outstanding	BARCLAYS Change	LLOYDS Outstanding	LLOYDS Change	MIDLAND Outstanding	MIDLAND Change	NATIONAL WESTMINSTER Outstanding	NATIONAL WESTMINSTER Change	WILLIAMS & GLYN'S Outstanding	WILLIAMS & GLYN'S Change
Eligible liabilities	34,849	− 362	10,712	− 74	5,669	+158	8,424	−107	8,889	−339	1,156	—
Reserve assets	3,808	+ 52	1,106	+ 6	660	+ 45	909	− 37	1,012	+ 40	120	− 2
Reserve ratio (%)	10.9	+ 0.2	10.3	+ 0.1	11.6	+ 0.4	10.8	− 0.3	11.4	+ 0.9	10.4	− 0.2

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks

	Feb. 18, 1981 £m	Change on month £m
Eligible liabilities		
UK banks		
London clearing banks	35,036	−357
Scottish clearing banks	4,169	+ 10
Northern Ireland banks	1,107	− 21
Accepting houses	3,147	+ 68
Other	10,346	+ 98
Overseas banks		
American banks	7,297	+281
Japanese banks	765	− 32
Other overseas banks	5,749	+140
Consortium banks	685	+ 73
Total eligible liabilities*	68,302	+261
Reserve assets		
UK banks		
London clearing banks	3,827	+ 52
Scottish clearing banks	448	− 14
Northern Ireland banks	155	—
Accepting houses	347	+ 7
Other	1,139	− 8
Overseas banks		
American banks	788	+ 28
Japanese banks	86	− 2
Other overseas banks	707	− 2
Consortium banks	106	+ 17
Total reserve assets	7,603	+ 79
Constitution of total reserve assets		
Balances with Bank of England	596	+182
Money at call:		
Discount market	4,138	+126
Other	250	+ 26
UK, Northern Ireland Treasury Bills	416	−149
Other bills:		
Local authority	272	− 12
Commercial	1,096	−101
British Government stocks with one year or less to final maturity	836	+ 8
Other	—	—
Total reserve assets	7,603	+ 79
Ratios %		
UK banks		
London clearing banks	10.9	+ 0.2
Scottish clearing banks	10.8	− 0.3
Northern Ireland banks	14.0	+ 0.3
Accepting houses	11.0	—
Other	11.0	− 0.2
Overseas banks		
American banks	10.8	—
Japanese banks	11.2	+ 0.2
Other overseas banks	12.3	− 0.3
Consortium banks	15.5	+ 0.9
Combined ratio	11.1	—

	£m	£m
n.b.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	227	+ 25
2—Finance houses		
Eligible liabilities	427	− 17
Reserve assets	44.7	− 1.7
Ratio (%)	10.5	—

Special deposits at February 18 were nil (unchanged) for banks and nil (unchanged) for finance houses. * Interest-bearing eligible liabilities were £50,675m (up £215m).

MLR is cut by 2% • New duty on North Sea oil

Sir Geoffrey Howe, presenting his Budget yesterday, said the obstacles to economic recovery were greater in the UK than in other countries. The Budget's central purpose must be to move towards a better balance in the economy—between consumers and industry, and between the public and private sectors. Success in the battle against inflation should be maintained.

"THE annual presentation of the Budget is rightly and inevitably regarded as the principal economic act of Government. But every Chancellor, indeed every member of this House, very well understands that the economic well-being of the nation owes far more, at the end of the day, to the spirit and vitality of its people than to any single act of Government, however important.

"I do not seek, in saying that, in any sense to undervalue the proper role of Government, but only to set it in perspective. What is the essential duty of Government is to provide responsible management of the financial framework within which the nation has to live.

"That duty must start from a sober and realistic assessment of the nation's economic condition. It is with this that I begin.

"First, the fight against inflation. We have made real progress. Prices are now rising only about half as fast as they were last summer. In the last year we have had the most rapid fall in inflation of any major country. Living standards in the personal sector as a whole are estimated to have risen in 1980 by a further 2 per cent. There have been fewer industrial disputes than at any time in the last 40 years.

"In 1980 Britain's exports increased in value, and held up in volume, and we achieved a record current account surplus of £2½bn. Many British companies are clearly facing the challenge with much more success than might have been expected.

"But there are sharp contrasts. In 1980 total output in the UK fell by about 2½ per cent—and that of manufacturing industry by no less than 9 per cent. Interest rates have remained high.

Industry hard pressed

"Many parts of British industry have been extremely hard pressed. And although the latest figures suggest the rise in unemployment may be slowing down, there are almost a million more people out of work than there were a year ago.

"For individuals, families, and sometimes for entire communities this can mean real hardship. The Government shares the nation's deep concern.

"But Britain is not alone in facing these problems. In the spring and summer of 1980 output fell sharply in six out of seven of the major economies. Unemployment rose by about 3m in the OECD countries during 1980. In the American motor industry alone almost 200,000 workers lost their jobs. The average OECD inflation rate remains in double figures. This year the output of the European Community as a whole is not expected to show any improvement over 1980.

"A major cause of this worldwide setback is the enormous rise in oil prices in the last two years. The oil-producing countries of OPEC last year collected about $150bn more in export receipts than they did in 1978. This huge increase, and the surpluses it created, mean that the rest of the world has had less to spend on other goods and services. At the same time governments have had to act firmly to counter the inflationary spiral set in motion by higher oil prices.

"These are the main reasons why the OECD have estimated that the national product of the industrial countries this year will be at least 6 per cent lower than it would have been without the latest oil price increases. That represents a very large enforced reduction in sales and output. It has inevitably meant a big jump in unemployment.

"Because we are a trading nation, the fact that we have our own oil cannot protect us from the slowdown in many of the markets to which we sell around the world.

Combined pressures

"There are still many businesses in Britain that lead the world. But the obstacles to recovery are nonetheless greater here than in other countries.

"Many parts of our industry have long been less dynamic than theirs. Years of high inflation, low productivity and delayed structural change have made our economy particularly vulnerable, and reduced its ability to compete in both home and overseas markets.

"And so we have suffered, and are suffering, more than others.

"Those firms which have lagged behind have often been encouraged to do so by the misguided belief that change can be postponed indefinitely.

"Eventually the combined pressures of competition and recession have compelled long overdue moves to tackle these deep-seated weaknesses.

"These moves have been essential to the creation or preservation of secure jobs for the longer term. But the immediate effect has been to add to unemployment.

"Thus, nearly 300,000 jobs have been lost in the motor industry, steel, textiles and shipbuilding over the past 18 months.

"As a nation we carried the process of weakening our own economy a long stage further in the three years before the onset of the recession. In each of the last three pay rounds, earnings in manufacturing industry rose by over 14 per cent while the underlying improvement in productivity has been little more than 1 per cent.

"British unit labour costs have risen more than twice as fast as those of our foreign competitors.

"Industry has had to adapt to a second huge increase in the price of energy. The world oil price is now three times what it was three years ago. Because of the North Sea this has had the consequence of contributing to the sharp rise in sterling since 1977.

Large cuts in stocks

"Various other factors have also influenced the position of sterling, including changes in the fortunes of other major economies. Although the strong pound has conferred some benefit on British industry through cheaper imported materials, it has imposed real difficulty on businesses which sell against international competitors. This has been particularly true of those industries that were still seriously overmanned.

"So as consumers we have benefited greatly from the strong pound and very often from large pay increases as well, while many companies have been hard pressed. Between 1977 and 1980 the real after-tax income of individuals rose by about a sixth. But the real disposable income of industrial and commercial companies fell by a quarter. And output rose by only 2 per cent.

"This contrast between the fortunes of individuals and businesses marks a striking imbalance. There is also a sharp difference—within the business sector itself—between the fortunes of the oil and banking sectors on the one hand and most manufacturing companies on the other.

"In these circumstances, many manufacturing businesses have had to take drastic action in order to survive. They have made large cuts in their stocks. And sharply reduced the number of jobs they were able to provide. Many factories had already gone a long way towards pricing themselves out of the market by earlier pay settlements. Many of those who secured big pay increases may have improved their own standard of living. But only at the cost of pushing their fellow workers out of a job.

"In the past, Governments have too often deprived themselves and the British people of the success they deserved because they abandoned their policies when the going got rough"

"Recently, however, there has been an increasingly constructive approach to these problems, at least in the private sector.

"The level of pay settlements has been falling significantly. Pay bargainers have begun to face up to the harsh truth that excessive pay is a major cause of unemployment. Most settlements in manufacturing since November have been below 10 per cent. This is in sharp contrast to the years that went before.

"Management and workforce are at last joining together to tackle the problems of overmanning, restrictive practices, and out of date working methods. They are beginning to understand that cutting unit labour costs is the way to become competitive again and to price themselves back into markets and jobs.

"But the nationalised industries, many of them monopolies, are not subject to the same market disciplines as the private sector. They have often been slow to adapt. And when eventually they do adjust, the financial and social costs can be very heavy.

"But the cost of delaying change has often been even greater, in terms of markets lost and jobs destroyed. It is the need to make nationalised industries much more responsive to market disciplines which lies behind the Government's vigorous programme to increase competition, in, for example, transport and telecommunications, and wherever possible to return parts of the state-owned sector to private enterprise.

Budget strategy

"Nor have other parts of the public sector learned these lessons at all quickly. Thus the overall cost of the public sector has continued to grow in relation to the rest of the economy.

"Total spending programmes in 1980-81 are now expected to cost approaching £94bn compared with last year's Budget forecast of about £91½bn. In addition, debt interest has cost £1bn more than expected.

"The increase in the overall total would have been still greater had it not been for the notable success of my Rt. Hon Friend, the Prime Minister, in negotiating refunds from the European Communities Budget of some £600m.

"The burden of public expenditure will be a recurrent theme in my speech.

"It is against this background that I turn to the central objectives of my Budget.

"Some have argued that I should abandon the battle against inflation as our top priority — and look instead for ways of expanding the economy. If this were the way to sustained recovery for British industry, and so to the creation of more long-term jobs, I should certainly be ready to consider a change of course.

"The well-being of the British people and the health of our economy are far more important than any Government's commitment to a particular strategy.

"But to change course now would be fatal to the whole counter-inflation strategy. Our problem in recent years has not been a lack of final demand. Since 1977 spending in the whole economy in money terms has risen by no less than 50 per cent.

"Most of the impact of this has been dissipated in higher prices. Insofar as the volume of expenditure has increased, a large share of the extra has gone on imports. In the end, there has been very little effect on UK output.

"Just boosting demand would do nothing to remedy this problem. Rather it would risk throwing away the real achievements we have secured, without winning any compensating gains. In the past, Governments have too often deprived themselves and the British people of the success they deserved because they abandoned their policies when the going got rough—when the sacrifices in fact had largely been made, but before the long-term benefits had begun to arrive.

"It would indeed be a tragedy to inflict on ourselves a further dose of crippling inflation just at the time when, with resolution, our industry can be helped to take advantage of the more stable conditions, which should follow the easing of the present recession.

"I am, therefore, determined to sustain the firm action that is necessary to maintain our success in the battle against inflation. It is also essential this year to respond to the two imbalances in our economy that I have described: the imbalance between consumers and industry, and the imbalance between the public and the private sectors. Moving towards a better balance in the economy must be the central purpose of this budget.

"There is now world wide recognition that inflation is the enemy of growth and employment. And it is just as widely recognised that sustained monetary restraint is necessary if inflation is to be kept permanently under control.

"Of course, there is not a rigid or mechanical relationship between money and prices. Of course, there are other influences in inflation, particularly in the short run. But monetary policy is of fundamental importance. These principles apply to this country as much as to any other.

Medium term strategy

"It is time for us to start thinking ahead to the advantages that will accompany a *permanent* reduction in inflation. For to live once again in a world that has banished the spectre of accelerating inflation must be our objective.

"We reaffirmed our commitment to *that objective* last year when we published the Medium Term Financial Strategy. I am reaffirming it again today by taking the measures necessary to strengthen and carry forward that strategy.

"I have no doubt the House will expect me to spend a little time on monetary matters. As the recent report from the Treasury and Civil Service Select Committee has shown so clearly, this is an absorbing and important area of policy.

"Thanks to the tight financial conditions of the past 18 months, including the effects of the strong pound, we are well ahead in the battle against inflation.

"We have achieved this while reducing controls rather than by imposing them. But for a number of reasons related to the special circumstances of last year, the growth of M3, the measure of money used to express the strategy, has been well outside the first year target range of 7-11 per cent.

"I said in November that I expected it to slow down in the New Year. Recent figures, including the preliminary figures for banking February, published today, are fully consistent with this.

"The first reason for rapid monetary growth over the year is the abolition of the so-called corset.

"This was long overdue. All that the corset achieved was to make the published figures for monetary growth artificially low.

"Since its removal last summer these distortions have been reversed, and the figures have been artificially *high*. By their very nature such distortions are impossible to measure accurately. They are, however, likely to have been substantial.

"But, of course, purely statistical changes have no implications for future inflation. The distortions have now largely worked their way out of the system. In that respect, M3 will from now on be a better measure.

High public borrowing

"Again, the growth of M3 was increased last year by the special nature of the recession. Public borrowing increases in a recession, but this is *normally* offset by lower private sector borrowing. Over the past 12 months public borrowing has been exceptionally high. But on this occasion bank lending did not fall away as quickly as might have been expected.

"Because of the exceptional imbalance between business and personal incomes, both sectors have, for different reasons, borrowed heavily. Faced with an unexpectedly severe recession, and the consequences of previous pay increases, businesses borrowed from the banks to tide them over while they reduced costs.

"Many people, on the other hand, have seen their living standards rise to an extent unusual in a recession, and they have been willing and able to borrow as well. The combined effect of this borrowing has been an important expansionary influence on M3.

"At the same time there has been a high level of private investment in financial assets. This can be seen as an attempt by the private sector to rebuild its holdings of such assets, whose purchasing power had been sharply eroded by inflation. It has included an increase in holdings of interest-bearing money. But to the extent that it merely involves returning towards a more normal level of financial assets it need not fuel inflation.

"Other indicators also suggest that the underlying financial conditions have, as the Government intended, been tight. Our Green Paper on monetary control published a year ago stressed the need to watch a range of measures of monetary conditions. Over the past 18 months the narrower measures of money have not grown at all rapidly.

"The pound has certainly been higher than would be expected from the behaviour of the money supply. This external pressure has reinforced the monetary squeeze and has contributed to the fall in inflation. And inflation has fallen so much relative to interest rates that the real cost of borrowing has risen significantly.

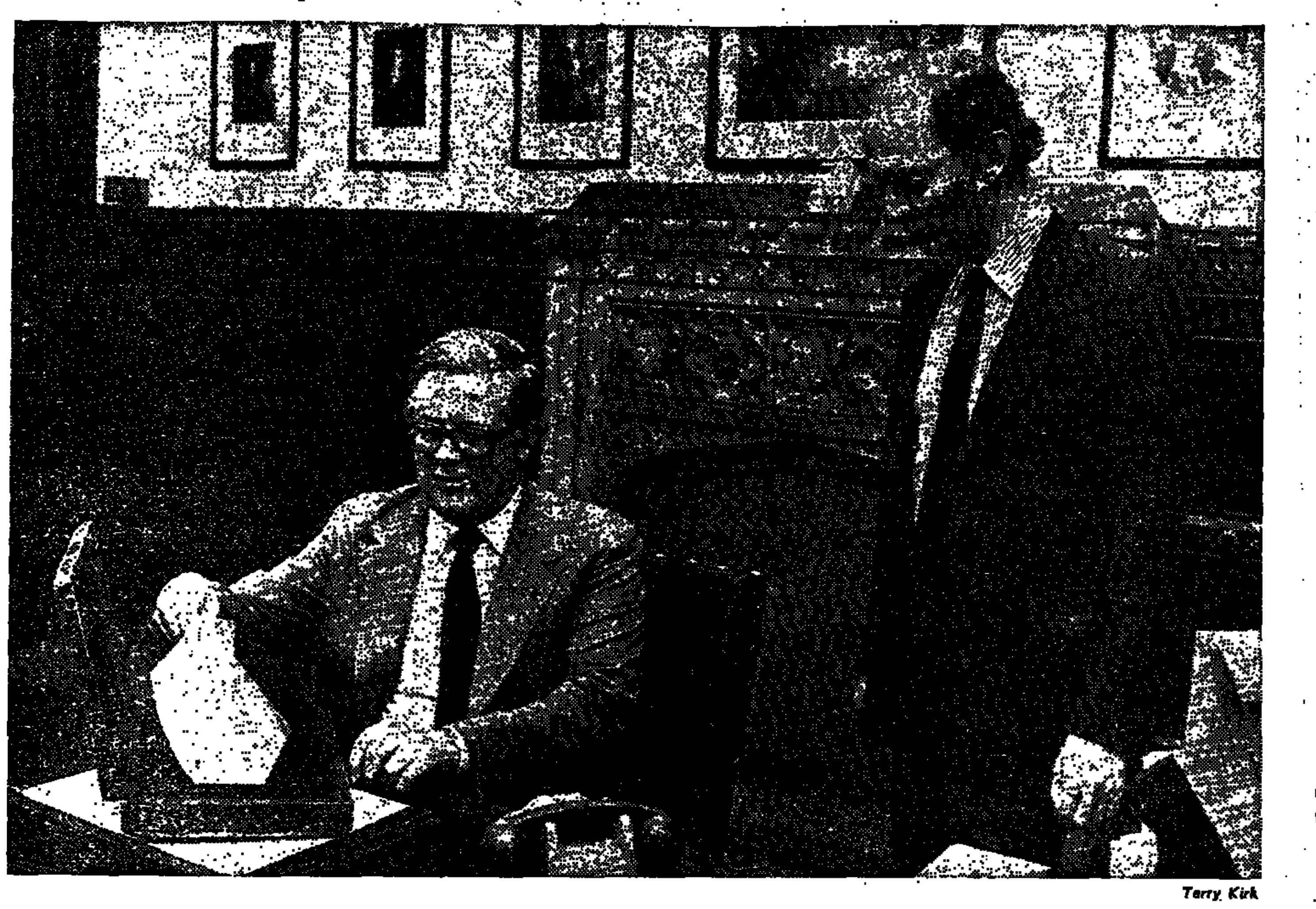
Target for 1981-82

"Financial behaviour should now revert to a more normal pattern. The private sector has been moderating its borrowing from the banks. And the exceptionally rapid build-up of personal sector liquidity should come to an end as the growth of prices and incomes continues to slow down.

"It is important to express the medium term strategy in terms of a wide measure of money, because it has close links with public spending and borrowing. So I am maintaining continuity by keeping M3 as the yardstick for medium term policy. The aim remains to reduce monetary growth to 4-8 per cent by 1983-84. The new target range for next year based on the actual figure for M3 in banking February, will be an annual rate of 6-10 per cent over the 14 months to April 1982. All this is more fully explained in the Financial Statement and Budget Report.

"The special factors at work last year are unlikely to be repeated. In any event they should have no adverse implications for future inflation. But we cannot be certain that they were the only causes of the rapid growth in money supply. So it may be desirable to recover some of the past year's high monetary growth in the form of lower growth over the medium term. But the most important requirement is a lower growth of the broad measures of money in the years ahead.

"However, the short-term response of M3 to interest rate changes is particularly uncertain and the full effect can be spread over many months. The narrower measures, which we also monitor, include fewer interest-bearing types of money and are more sensitive to changes in interest rates.



Terry Kirk

Sir Geoffrey removes his speech from the Budget box before leaving his room at the House and entering the Chamber. With him is Mr. John Wiggins, his Principal Private Secretary

"But because they are so sensitive, they can overstate the effect of interest rate changes on underlying monetary conditions. Moreover, their relationship to other aspects of policy is less clear.

"I am taking steps to improve the information available about the narrower measures. Publication of figures for monetary base will begin later this month.

"Arrangements for a new statistical series for the retail deposits of the banking system —to be called M2—are also well advanced. It will be published later this year.

"We shall continue to monitor M1. In doing so, we shall take account of its normal tendency to grow quickly as nominal interest rates come down with inflation. For this reason we may now find M1 growing rather faster, for a time, than it did last year.

Public sector borrowing

"I turn next to the Public Sector Borrowing Requirement, the PSBR. Some people, I know, are tempted to regard the PSBR as an entirely mystical concept, of interest only to economists. How I wish they were right! But, alas, the size of public borrowing is, as it must be, a critically important constraint. There should be no surprise in that. For Governments are not so different from individuals.

"The PSBR, in plain language, is broadly the difference between what Government spends, or lends to others, and what it collects in revenue, mainly through taxation. It necessarily includes what the nationalised industries borrow; most of this comes from the Government, and where they borrow from other sources, the Government stands behind them.

"So the PSBR is the amount central and local Government, and the public corporations, have to borrow. It is the experience of Governments around the world that if they try to borrow too much, then either interest rates or inflation or both begin to soar.

"Britain's experience tells the same story. If we are to stay on course for lower inflation and for lower interest rates, then we must borrow less.

"Public borrowing as a proportion of national income must be brought down. This is why the Medium Term Financial Strategy envisages a downward path for borrowing, as well as for the growth of the money supply. These remain two essential prerequisites for a lasting grip on inflation.

"Against that background the House will understand my anxiety at the way in which borrowing has actually developed. For 1980-81, the year which is drawing to a close, the PSBR is now forecast to emerge at £13½bn or 6 per cent of the Gross Domestic Product. This compares with the 1980 Budget forecast of £8½bn.

"The lion's share of the £5bn excess in 1980-81 was accounted for by higher expenditure. But there has also been a net shortfall of tax revenue of about £1bn, with receipts from indirect taxes and North Sea oil below expectations — and only partly offset by higher receipts from the other Inland Revenue taxes.

"For the year now approaching, 1981-82, our published strategy suggested an illustrative PSBR of some 3 per cent of the Gross Domestic Product. Translated into today's prices this would be about £7½bn.

"In 1981-82 output is expected to be lower, and unemployment higher, than envisaged a year ago. The effect of the recession on the PSBR is likely to be even greater this year.

"It is therefore clear that a £7½bn PSBR for next year would be unduly restrictive.

"Moreover, I must tell the House that this year's Budget-making exercise has started from the basis of a forecast for the PSBR in 1981-82 of no less than £14bn.

"I am in no doubt that to begin the year with the intention of borrowing as much as £14bn would be irresponsible in itself and unacceptable to the House.

"What then should be the objective for next year's PSBR? I have already ruled out £7½bn, as unduly restrictive. Taking everything into account, I have concluded that it would be right to provide for a PSBR of some £10½bn in 1981-82, which is a little more than 4 per cent of the Gross Domestic Product.

"This is still a high figure. But I believe it to be consistent with the monetary target that I have just announced. I also believe it to be a sum that can be financed without placing undue strains upon the capital markets.

"But as the House will understand, if the figure is to be brought down to £10½bn from £14bn, then some harsh decisions are inescapable. The figure of £14bn which I have just quoted incorporates the spending plans for next year that have already been announced—but it is otherwise based on unchanged tax rates and unchanged allowances.

"It allows for the increases in National Insurance contributions I announced last November — which the *House* has now approved. That leaves a net sum of around £3½bn to be secured in this Budget. £1bn of that will come from the new North Sea taxation that I foreshadowed last November. I shall be outlining other proposals *later in my speech*.

"These tax changes should enable us to achieve our monetary objectives without having to face intolerably high interest rates. But we are determined to maintain the monetary and fiscal framework necessary for the reduction and defeat of inflation — even at the cost of departing, for the time being, from our commitment to lower personal taxes.

"We are determined to maintain the monetary and fiscal framework necessary for the reduction and defeat of inflation—even at the cost of departing for the time being from our commitment to lower personal taxes"

"The tax increases I am announcing today are measure of that determination. Equally they reflect the bill that we as a nation must meet if we are to pay for the high level of public spending we have chosen to support. I will return to the detailed proposals shortly.

"Meanwhile, it is necessary not only to reduce Government borrowing: but also to finance it in a non-inflationary way. By drawing more efficiently on possible sources of savings, it should be possible to control the growth of M3 more effectively.

National Savings

"Imaginative use of National Savings can help to reduce pressure on the capital markets. Thanks to the initiative announced last autumn we have already achieved our National Savings target of £2bn for 1980-1981.

"For 1981-82 we have set the still more ambitious target of £3bn. New measures are needed for that. We therefore propose two important changes to the second issue of index-linked certificates or Granny Bonds. From the beginning of next month, the age of eligibility for these certificates will be reduced from 60 to 50; and a minimum bonus of 4 per cent will be provided for all holders, both new and existing.

"A reduction in the interest rate on the National Savings Investment Account from May 1 will be announced later this month. This will be compatible with keeping interest rates on National Savings instruments competitive enough to achieve our target.

"In October last year the Secretary of State for Energy announced plans for a bond which would allow the public to share in the benefits of the nation's North Sea oil resources.

Marketable securities

"The Government intends to issue such a bond later this year. It will be aimed at small savers and will be a non-marketable certificate, administered by the Department for National Savings. Its capital value will be fixed but the return on the bond will be linked to the value of the British National Oil Corporation's North Sea oil.

"We also propose an important extension of the structure of Government borrowing, by introducing an indexed gilt-edged security. This will be sold to pension funds, and to life insurance companies and friendly societies in respect of their UK pension business.

"Restricting the right to buy this indexed gilt will help to avoid the risk of attracting unwanted inflows of foreign funds. It will give those institutions which are eligible a new choice between indexed and conventional securities.

"The Bank of England is announcing this afternoon details of an issue of long-dated indexed stock worth £1bn.

"This innovation demonstrates the confidence we have in our strategy for bringing inflation down. It will also reduce uncertainty about future real rates of return, thus helping borrowers and lenders alike.

"There are important advantages too for monetary control. We will have more flexibility in the market place and thus greater assurance of meeting our borrowing needs.

"We are also considering the introduction later in the yea of new short term marketable Government securities.

Monetary control

"I am proposing some new measures which will help short term monetary management by smoothing the uneven flow to tax revenue. The most important area is that of North Sea oil taxation, to which I shall come later.

"Other proposals will be describd by my honourable and learned friend the Minister of State later in this debate, if he is fortunate enough to catch your eye, Mr. Speaker.

"These initiatives will be accompanied by other improvements in monetary control. Following extensive consultations based on last year's Green Paper, I outlined last November some changes which were desirable in their own right and would be consistent with a gradual evolution to monetary base control. These will come into effect during the coming financial year.

"The Reserve Asset Ratio has complicated monetary control. The first step in phasing it out was made in January. In the next month or two, at the conclusion of talks now to be undertaken with the banks, the ratio will cease to be a minimum requirement.

Thereafter it will be adapted to have a transitional role as a prudential norm round which there will be variation, until the detail of the new arrangements has been settled.

The Bank of England has already made some useful changes in its money market operations. In its dealings with the discount houses it now relies mainly on buying and selling bills.

"Direct lending to the market has been greatly reduced. The interest rate on this lending is also now generally somewhat above comparable market rates, while the rates at which the Bank conducts its open market operations have become more flexible.

"In conducting its operations in bills the Bank no longer quotes rates for more than one month ahead. Instead it responds to bids and offers. This has the great advantage of allowing the market a greater role in determining the structure of short-term interest rates.

"Discussions are now to take place with the financial institutions about these and other changes, including the future of the cash ratio. When they are complete, the Bank will aim to keep very short-term interest rates within an unpublished band, and in due course suspend altogether the practice of having an announced MLR, which would by then have lost its operational significance.

Public expenditure

"Decisions about short-term interest rates will continue to take account of the whole range of monetary indicators referred to earlier and other factors which affect the significance of these numbers, especially the progress of inflation.

"Modest reductions in interest rates were made in the second half of last year. Progress in reducing inflation, strongly positive real interest rates, a noticeable slackening in the growth of M3 in recent months, and a marked fall off in bank lending point towards a further reduction in rates. The increases in taxation which I am imposing in the Budget will make it possible to have an immediate reduction.

"Accordingly the Bank of England is today, with my approval, reducing its Minimum Lending Rate by 2 percentage points.

"Further progress towards lower inflation and lower interest rates does not depend primarily on improvements in funding techniques or in managing the money markets, important though these are. The overriding need is for more effective restraint of public spending.

"In the last year public expenditure has put a severe strain on the budget. Much of the increased spending has been caused by the effects of the recession being worse than expected.

"There has been an increase of £¾bn in spending on unemployment benefit and on special employment measures, notably the temporary short-time working scheme. On many central government programmes the expected shortfall in expenditure has not happened, and so the total has been higher than expected.

"The recession has also—inevitably—had an adverse effect on the financial situation of most nationalised industries. It has meant an increase in the total of these industries' external financing limits for 1980-81 of some £900m, over half of which has been for the steel industry.

"Some of the nationalised industries are now taking steps to reduce the overman-

Continued on next page

Petrol, drink, tobacco up • Income tax unchanged

Continued from previous page

ning and inefficiency which have built up over the years. But that too can cost more money initially.

"These, however, have not been been the only sources of upward pressure. On defence there has been substantial over-spending—to the tune of £260m—over and above a cash limit which had already been increased by £200m.

"Local authorities' total cash spending appears to have been a good deal higher than allowed in my last Budget—and the position would have been much worse without the firm action taken by my Rt. Hon Friend the Secretary of State for the Environment.

"Because of all these developments, we have not been able in the course of 1980-81 to secure the full 5 per cent cut at which we were aiming in our predecessors' planned volume of expenditure. We did nevertheless achieve a reduction of about 3½ per cent—no less than £3½bn.

"Moreover, since this Government came into office numbers employed in the civil service have fallen by 35,000, and by the equivalent of about 40,000 full-time staff in local government.

"In the coming year, some of the upward pressures on public sector spending are bound to remain with us. I have in mind, for example, last November's decision to spend more on industrial support and on special employment measures to ease the effects of recession.

"Next year the cost of special employment measures will be no less than £1bn. This will make it possible to offer every unemployed school leaver a place on the Youth Opportunities Programme by Christmas. And we hope to offer other 16- and 17-year-olds, unemployed for three months, places within a further three months. In all, 440,000 opportunities will be offered—twice as many as in 1979-80. In addition the Temporary Short Time Working Compensation Scheme is currently supporting nearly 700,000 people.

"However, this need to spend more on some programmes cannot justify accepting the wrong fiscal balance. That is why we took the decisions which I announced last November to reduce most of the Government's other programmes by £1,400m cash. These substantial cuts will go a good deal of the way to offset the other increases I have described. But they have not gone far enough to avoid the need for very substantial increases in taxation.

"It is worth recalling that this Government has not been alone in having to cut planned and actual public expenditure. Our predecessors had repeatedly to do the same. Such reductions are necessary if the burdens on the rest of the economy are not to become intolerable.

"They are essential to the fight against inflation. This has been the recent experience of almost every other industrial democracy. The economic conditions which call for lower public spending are a world-wide phenomenon.

Industrial fuel costs

"Today's new Public Expenditure White Paper shows a planned volume of public expenditure next year which would be much the same as this year's expected outturn. Various developments since the White Paper went to print, including the withdrawal of the plans for accelerated pit closures, have made it prudent to increase the size of the Contingency Reserve.

"I shall also be announcing later in my speech additional expenditure to help with industrial fuel costs. Altogether these will add about one-third of a percent to the volume of expenditure next year, 1981-82. The resultant planning total is more than 3 per cent higher than we had intended last year. But despite the much larger claims of employment support and of social security it will still be nearly 5 per cent less than our predecessors had planned.

"Our decisions for the future are designed to ensure that the volume of spending falls after 1981-82. The Public Expenditure White Paper shows a planned fall of 4 per cent by 1983-84.

"Whether we can spend even on that scale must depend on how far we can afford to do so. During the annual review later this year we shall be looking hard at the possibility of further reductions in those spending plans.

"The House will find that the sheer size of public spending becomes much easier to grasp if one thinks not just in terms of the so-called volume of spending but in terms of actual cash paid out. The difficulty of controlling it becomes clearer too.

"Last year, 1979-80, we spent on programmes £77bn in cash. This year, 1980-81, the corresponding figure will be nearly £94bn.

"Next year, 1981-82, we will spend about £104bn cash. If debt interest is included, the rise is even greater.

"An important part of the rise in total expenditure between last year and this has been due to the increase in the public services pay bill resulting from the Clegg Commission and similar catching-up exercises, many involving staged settlements.

"The Clegg awards and staged settlements alone accounted for an increase of £2½bn between the two years.

"We have had to make provision for those consequences of the previous Government's incomes policies. But the significance of those consequences, and the extent of the problem they present, has still not been widely recognised or understood.

"The pay bill for the public services in 1980-81 of about £30bn is about 25 per cent higher than in the previous year. This is twice as fast an increase as in the pay bill of the private sector.

"Much of the overall cost of pay settlements in the private sector has been offset by a reduction in numbers of people employed, or in hours worked. So the cash cost of Government has been growing much faster than the cash income of the rest of the economy which has to support it.

"The immediate lesson is simple—but vital. After the recent large increases it is now both fair and essential that public service pay should grow more slowly. Pay, after all, accounts for as much as 60 per cent of the major public expenditure programmes such as education and health.

Strengthening cash control

"This is why it is so important to work out improved ways of setting public service pay. Any new system must take proper account of *all* the relevant factors: the balance of supply and demand for particular skills, as well as comparisons with terms and conditions in outside employment and—inescapably—the limits of finance available.

"Due weight will also need to be given to the expectation and intention of a continuing decline in the rate of inflation.

"Experience over a number of years shows clearly the need for a system for the control of public expenditure generally which displays the consequences of spending decisions as plainly as possible. The present system certainly does not do that.

"This year, as for many years past, the figures in our White Paper are expressed mainly in volume terms at 'constant' prices. But there is something inherently unreal in trying to plan and measure things in terms of what is rightly described as 'funny money.'

"Goods are not bought and people are not paid in the money of last year or the year before. They are paid in cash. And when the community, acting through the Government, decides to buy goods and services it has to pay in money of the day, just like any private individual.

"There is, of course, a case for planning in volume terms as well. There is a clear need to plan the number of hospitals or roads or frigates that we are aiming to have in future years. But there is great danger in planning in volume alone.

"For there is then an inevitable tendency to assume that a given quantity of goods or services will definitely be available, however much its costs may have risen. For this reason it is essential that the control and planning systems should focus much more closely on the money actually spent.

"I am accordingly making some important changes in the control and planning of public expenditure. These changes cannot be a substitute for the hard political decisions that have to be taken. But they will enable those decision to be taken with a much clearer appreciation of what is involved. They will help to displace the automatic assumption that what was once planned can always be afforded.

"We have decided to make a major shift in the planning and control of spending from volume to cash. The introduction of cash limits by the last government paved the way for this change. We now need to go a great deal further down that road.

"In the first instance we shall, from the coming year onwards, change the way in which we operate the Contingency Reserve. This will now be a cash control. Previously only decisions which increased the volume of spending during the year were charged to the Reserve.

"Next year the control will be extended so that decisions to increase cash limits—in respect of pay or prices as well as in respect of volume—will be treated as a charge on the Reserve.

"The Reserve will be set at £2½bn cash, about 2½ per cent of the total of programmes. This allows both for the wider coverage resulting from the switch to a cash basis, and for the increased provision, which I have already mentioned, to allow for developments since the White Paper.

"Even more fundamental is the change we shall be making in the way we go about future annual reviews of public spending.

"In planning public spending for 1982-83 we shall from the outset conduct our examination and discussions in terms of the cash which will be available for that year. This will change the whole framework and spirit within which decisions are taken.

"In some ways it will make things more difficult for those who have to manage spending programmes—harder indeed for the Government as a whole. Departments will be obliged from the outset to form a view as to what their money will buy.

"That is bound to be less easy than just deciding what they want—and then simply looking forward to receiving all the money necessary to pay for it.

"This is precisely the same problem that every family in the land has to face in planning their own spending. They may have to adjust plans, according to the way costs move and according to the availability of finance.

Social security

"The focus must always be on how much cash is actually going to be available. It is high time for public spending to be subjected to similar discipline.

"This change to taking decisions in terms of cash will make a major contribution to improving financial management, and will do much to support our other efforts to increase cost consciousness and accountability throughout the public sector."

"I turn now to my specific tax and spending proposals. They cannot all be covered in detail, even in a lengthy speech, and more information about a number of them will be found in a series of press notices issued by the departments concerned. Copies of those are in the Vote Office.

"I have stressed already the huge total of public expenditure. Far and away the biggest element within it is the Social Security programme. It accounts for more than a quarter of the total. And in the last decade it has grown very fast.

"Partly this is because of the increasing number of beneficiaries and the replacement of Child Tax Allowances by Child Benefit. But it also reflects real increases in rates of benefit.

"Thus over the decade the retirement pension has gone up by about 30 per cent in real terms. That is about twice as much as the increase in the national income as a whole.

"The cash cost of the Social Security programme in 1981-82 comes to a staggering £27bn. This is about £1,000 per year for every worker in the country. We cannot therefore, avoid considering this programme as closely as any other.

"I estimate that prices will rise by 10 per cent in the year to next November. The increase in pensions and other benefits made in last year's uprating proved to be 1 per cent more than required to keep pace with last year's inflation. This is because prices rose more slowly than expected between November 1979 and November 1980.

"State retirement pensions, public service pensions, and most other benefits (including supplementary, unemployment and sickness benefits) will, therefore, be increased next

> **"In the last year public expenditure has put a severe strain on the Budget: much of the increased spending has been caused by the effects of the recession being worse than expected"**

Hugh Routledge

The Chancellor and Lady Howe pause beneath a portrait of Lord Gladstone in the entrance hall of 11, Downing Street, before leaving for the House of Commons

This reflects the expected rise in prices and at the same time adjusts for the over-provision made last year.

"The increase in the benefits will be substantial. The retirement pension for a married couple will go up by £3.90 to £47.35 per week, and for a single person by £2.45 to £29.60 per week. Unemployment and sickness benefits will be increased to £36.40 and £22.50 per week respectively.

Mobility allowance

"Full details of the November increases will be announced tomorrow by the Secretary of State for Social Services. We shall be giving further consideration to policy towards public service pensions in the light of the report of the Scott Committee.

"I shall myself have something more to say about Child Benefit in a few minutes.

"There is one group to whom we shoud pay special attention this year—despite the economic constraints we face. I refer to the disabled. For this is the International Year of Disabled People. The Secretary of State will be announcing tomorrow an increase in Mobility Allowance. I shall mention some other measures now.

"The special income tax allowance for the blind has stood at its present level since 1975. I propose to double it to £360. I hope this will be of some help to blind people in tackling the very real problems they have to face.

"Many representations have been made to me for relief from VAT on all purchases made by charities. I have regretfully concluded that such relief would be impossible to administer fairly or economically and would in any case cost too much.

"However, I do propose to extend existing VAT reliefs for the disabled and the charities serving them. For example, the present zero-rating for articles given to hospitals will in future cover ambulances and wheelchairs. The benefit of this zero rating will also be extended to institutions caring for the handicapped. Car adaptations for disabled drivers will also be relieved from VAT. The necessary Treasury Order is being laid today.

"I am also proposing changes which will widen the scope of the reliefs from capital taxation for trusts for the disabled. And to encourage unemployed people to work for voluntary bodies, the amount a person can earn without affecting unemployment benefit will be increased from 75p per day to £2 per day.

"The total cost of these measures is relatively modest. But if put alongside the tax reliefs I announced last year in respect of covenanted gifts to charities, the overall amount is substantial.

Raising extra revenue

"The House may like to be reminded that tax relief on covenants at the higher rates of tax becomes effective from April 6, 1981 at a revenue cost of £20m.

"These reliefs should greatly improve the fund-raising ability of charities. I shall be arranging to publicise these reliefs, and the opportunities they offer, much more widely.

"There is one other matter to which I should refer. I announced last year that we planned to bring into tax the invalidity, sickness and other incapacity benefits.

"We had expected that this might be from April 1982. In part because of pressures on Civil Service staff numbers, we propose to postpone this. I confirm however, that when Invalidity Benefit does come into tax, the 5 per cent deduction made from the November 1980 uprating will be restored.

"I come now to the range of measures that are necessary to raise the extra revenue for this year. First the North Sea. In deciding on particular measures I have had to take into account recent developments and future prospects for North Sea oil, and the implications these have for Government revenues.

"In 1980 production in the North Sea at 80m tonnes of oil was less than predicted—only four-fifths what had been expected two years before.

"The production difficulties experienced in the past year have led to a major revision of output levels over the next few years. The Secretary of State for Energy has just published reduced forecast ranges for North Sea production in the years to 1984.

"While oil production is likely to be lower than once expected, oil prices are much higher. Increases since 1978 in the real price of oil have brought substantial benefits to the oil companies, which face a very different prospect to that when the present tax regime was introduced.

"Such has been the rise in the oil price in recent years that I believe that the Exchequer should properly look to this area for additional revenue beyond what will accrue from existing taxes.

"However, even after the measures I am about to announce the increase over the medium term in Government revenues from the North Sea will be smaller than was once expected.

"In my statement last November, I foreshadowed the measures I had in mind for increasing the Government's share of these revenues while maintaining incentives for further exploration and development. Consultations with the oil industry have taken place and I can now announce detailed proposals.

"I intend to introduce a new tax—the Supplementary Petroleum Duty—broadly as outlined last November. The new tax will be at a rate of 20 per cent on the total value of oil and gas produced, after deduction of an allowance of 1m tonnes a year for each field.

"It will be deductible in computing liability to Petroleum Revenue Tax and Corporation Tax.

"In response to representations by the industry, gas supplied to the British Gas Corporation from earlier North Sea fields will be exempted. And there will be provision for the new tax to be refunded where fields do not fully recover their initial development expenditure.

"The new tax will be payable in monthly instalments. This will make a useful contribution to achieving a smoother public-sector cash flow through the year. I shall also invite the industry to consider with the Inland Revenue how a broadly similar pattern of payments might be introduced for PRT.

"I also announced in November last year that the special reliefs devised for PRT were under review. I now have proposals to make involving some restriction of these reliefs. I hope that the Minister of State, Treasury will have the opportunity of covering them in more detail in the debate.

"There are a number of other minor changes to improve the oil taxation regime — partly made in response to the industry's own views.

"The new tax, together with changes to the PRT reliefs, will raise an extra £1bn in 1981-82. There will be a substantial continuing yield in later years.

"The oil companies have urged that my objectives of more revenue, and a more efficient and economical pattern of tax relief, could be better secured by a thorough-going reform of PRT, which would make it unnecessary to introduce a permanent new tax.

"Officials have over several months given exhaustive consideration to this possibility, but without success, and no other proposals which I could regard as satisfactory have been put forward from any other source. But I do not close my mind to the possibility that modified proposals producing a broadly similar yield might be forthcoming.

"I propose, therefore, that the new tax, SPD, should in the first instance have legislative effect only for the 18 months ending on June 30, 1982. This will allow ample time for further study and consultation before permanent arrangements are introduced in next year's Finance Bill.

Bank profits

"Apart from oil, one other business sector has largely been protected from the effects of the recession, and that is banking. Indeed bank profits in recent years have increased sharply, both absolutely and by contrast with the experience of most other businesses. A substantial part of these profits is the direct consequence of high interest rates in the last two years: this applies in particular to the so-called "endowment profit" on current accounts on which no interest is paid.

"Recent levels of bank profits are partly, of course, a cyclical recovery from the low level to which they fell in the mid-1970s. Also, the banks have needed to make provision against the effects of inflation and to rebuild the reserves needed to underpin the valuable support they give to businesses in difficult times. That is why I took no action last year.

"However, I undertook to keep developments under review. The last year has seen further high banking profits, probably at a level not very different from the record profits of 1979.

"Certainly the contrast with the sharply reduced profits of industrial companies is if anything more striking. In present difficult circumstances, I cannot avoid the conclusion that I should require the banks to make a special fiscal contribution.

"This will take the form of a special once-for-all tax on deposits of banking businesses which are in operation today. The tax will be charged by reference to non-interest bearing sterling deposits in excess of £10m, averaged over the final three months of 1980.

"The rate of tax will be 2½ per cent. It will not be deductible against corporation tax.

"I estimate that the clearing banks will be the source of about 90 per cent of the revenue but the tax will apply to banking businesses generally. Altogether an estimated £400m will be raised in three instalments over the second half of 1981-82. This revenue will make it possible for me to give some help to the rest of industry this year which otherwise I could not afford.

"Even so for the reasons I have already explained it is necessary to look principally to the personal sector for the additional revenue needed. People in employment have in general had more money to spend. Extra tax will have to be levied on that expenditure."

No increase in VAT rate

"I do not propose any increase in the 15 per cent rate of VAT. As last year, most of the extra revenue needed must come from the excise duties. Increases would be necessary again this year simply to keep the rates of duty in line with the general movement of prices.

"Even when that had been done, however, many of the duties would be lower in real terms than they used to be. For example, since April, 1975, the beer duty has risen by only about half as much as prices generally.

"I am proposing to increase the excise duties to produce, in total, about twice as much additional revenue as would be required to compensate for one year's inflation.

First, the duties on alcoholic drinks and tobacco. From midnight tonight I propose to increase the duties on drinks by amounts which, including VAT, represent about 4p on the price of a typical pint of beer, 12p on a bottle of table wine, 25p on a bottle of sherry, and 60p on a bottle of spirits.

"On tobacco, I propose from midnight on Friday to increase the duty by an amount which, including VAT, will represent 14p on a packet of 20 cigarettes.

"There will be consequential increases for other alcoholic drinks and tobacco products. But a little less for pipe tobacco which is used particularly by pensioners.

"I estimate that the increase on alcoholic drinks will yield £500m in 1981-82 and £515m in a full year. The increases on tobacco will raise almost exactly the same.

"The duties on matches and mechanical lighters, which have not been raised since 1949, will be increased substantially—to raise an extra £15m a year.

Car tax to be extended

"Road fuel must also make a substantial contribution. The duties on petrol and derv will be increased from 6 pm tonight by the equivalent, including VAT, of 20p a gallon.

"These increases should yield an additional £910m from petrol and £270m from derv in 1981-82 and the same in a full year.

"I propose to increase the Vehicle Excise Duty on all vehicles by about 15 per cent. The annual duty on cars will thus increase by £10 to £70. As the duty on derv is being increased in line with that on petrol I do not propose any differential increase on heavy lorries. The VED increase should yield £225m in 1981-82 and the same in a full year.

"Finally, I propose extending the car tax to motor cycles, scooters and mopeds. This tax is charged at 10 per cent on the wholesale value and is in addition to VAT. There is no longer any reason why these machines should be treated any differently from motor cars. The change is estimated to raise about £10m in 1981-82 and £15m in a full year.

"In all, these changes to the indirect taxes should raise about £2,400m in 1981-82 and about the same in a full year.

"With the partial exception of the road fuel and Vehicles Excise Duties, the increases fall on those products which are bought by private consumers. Had all these excise duties simply been increased in line with inflation this would have added 1 percentage point to the RPI. The increases I propose could add up to a further point. This is the maximum impact effect on prices. But in the longer run, by reducing public borrowing, they will help to bring inflation down and ensure that it stays down.

"I come now to income-tax. Once again I must have the main priority in mind—the need to contain public borrowing, so as to make it possible to secure lower interest rates and ease the conditions in which the trading sector of the economy has to operate.

"Inflation raises the real burden of income-tax. This is because allowances and rate bands are fixed in money terms. As the value of money falls so too does the value of these allowances and bands.

"It was in order to counteract this effect that this House in 1977 carried a measure which required Governments to raise the tax allowances by each year's inflation unless Parliament explicitly decided to the contrary.

"To implement this formula now would mean increasing allowances by about 15 per cent. In the circumstances of this year, that simply is not possible. The incomes of most people have been rising in both money and real terms: but many companies have seen their profits virtually disappear, with serious implications for jobs and investment.

"In these circumstances it will not be possible this year to make any increase in the income-tax allowances or rate bands.

"The House will be asked to approve a Resolution to this effect. A Treasury Order is also being made today, following the procedure laid down in the 1980 Finance Act, setting out what the increases would have been in the thresholds and allowances if indexation had been possible. The House will wish to know that full indexation of the allowances and rate bands would have reduced the full year yield of income tax by £2½bn.

Fringe benefits

"This decision has not been lightly taken and I share the disappointment everyone will feel. It does enable us to avoid, as I am sure is right, the need for any change in the basic or other rates of income tax. And it does enable me to tell the House, as I am glad to be able to do, that we propose that Child Benefit, and one-parent family benefit, will both be fully price-protected in line with the forecast of inflation. Next November child benefit will, therefore, go up by 50p a week per child, to £5.25. The one-parent family benefit will go up by 30p to £3.30 per week."

"At a time when the real burden of income-tax has to be increased, it is all the more important that it should be fairly shared.

"The benefit of a company car is already subject to tax, but the tax scales fall well short of the true value.

"The amounts assessed to tax are less than half the AA's estimate of the annual costs of running a car. Last year we prescribed an increase of 20 per cent in the scales from this April, just about enough to keep them rising in line with the costs of motoring.

"I now propose they should be increased by a further 20 per cent in April, 1982. For company cars which have little or no business use there is a higher schedule of taxation.

"I propose to raise the business mileage below which this charge applies from 1,000 to 2,500 miles a year with effect from this April.

"Last year I referred to the growing practice of employers providing free petrol and said that I should be bound to contemplate action if it continued to spread. This warning has largely been ignored.

"I propose therefore to take action which will ensure that tax is chargeable in all cases where petrol is provided for private use of a higher paid employee or director.

"The Inland Revenue will consult employers' organisations over the administrative implications of the various possible methods of achieving this.

"Most people have to pay for their own travel to work, whether by rail or by road. Some people have their travel costs met by their employers. Most of these pay tax on that benefit. There is, however, one small, but growing, group—not more than one commuter in 10—who get their travel costs tax-free.

"When an employer contracts with a transport authority for provision of a season ticket to his employee, the benefit is not, under the present law, within the general liability to tax. This is a clear anomaly. And it is plainly right to bring this group into line with everyone else.

"Similarly, a minority of employees are provided with credit cards which they use to obtain a wide range of goods and services which are charged to the employer. The employee may thus avoid paying tax on part of what is truly his income. This, too, is quite wrong. I shall ensure that all employees pay tax on benefits of this kind.

Helping businesses

"Following consultations which took place last year, I have decided for now to leave in place the earnings threshold below which the taxation of fringe benefits does not, in the main, apply. Company cars and other such benefits will therefore continue not to be taxed in the hands of those earning less than £8,500 a year.

"Consistently with this approach, I propose to remove the charge to tax on medical insurance premiums paid by employers for the benefit of their employees earning less than this amount.

"One pre-war anti-avoidance measure needs to be brought up-to-date, following the decision in the Vestey case. This has shown that, among other imperfections, the rules dealing with avoidance of tax by way of transfers of assets abroad do not affect an individual who benefits from such a transfer but did not make or procure it.

"I propose changes in these complex and technical rules, to take effect from today, which will ensure that the individual pays tax on any benefit he receives. I also propose to amend the rules governing the taxation of capital sums paid by trusts.

"So far I have been dealing almost entirely with a group of measures that will have the disagreeable but necessary effect of increasing the revenue.

"In order to secure the reduction in interest rates, most of that revenue must go to reducing the PSBR. But some can go, as it should, to lighten directly the tax burden on business and enterprise.

"There is not enough for across-the-board measures. It is important to concentrate relief where it will be most effective. I cannot, for example, find room for a reduction in the National Insurance Surcharge, at a full year cost to the PSBR of £700m for each percentage point. Nor would a general reduction in corporation tax be appropriate, since it would not help companies who are so hard-pressed that they are making no profit. I therefore propose ot bring help to business and to encourage enterprise in the following ways.

"The first measure is one announced, subject to further consultation on the details, last November: the reform of the stock relief scheme.

"This reform will tackle certain abuses of the old scheme which have attracted legitimate concern. It will also lift the threat of clawback—the withdrawal of tax relief when businesses reduce their stocks.

"This was jeopardising the financial position of industry in the current recession. It was above all this problem of clawback that made it essential for the details of a new scheme to be announced as they were

> **"The electricity supply industry in England and Wales will . . . introduce new flexibility into its pricing arrangements, providing further scope for large high load factor industrial consumers to reduce their electricity costs"**

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THE BUDGET: THE CHANCELLOR'S SPEECH

Windfall profits tax • More help for new businesses

Continued from previous page

In our Consultative Document last November.

"I have considered very carefully the representations which have since been made in response to my original proposals. As a result I propose to make certain detailed changes, including improvements in the transitional arrangements.

"In particular, I have considered very carefully the concern which has been expressed to me by many businesses about how they would be affected by the proposed credit restriction: that is, the arrangement under which relief should be restricted to the extent that a business may finance its stocks by trade credit or other borrowings.

"I have sought to balance the case in principle for the credit restriction against the fact that the other changes which I am making will in themselves reduce the scope for abuse under the old stock relief scheme.

"In the light of the severe difficulties which many businesses are now facing, I have decided not to legislate for the credit restriction. This will be reviewed in the context of other possible changes in the promised Corporation Tax Green Paper.

"These changes will increase the cost of the new schemes to the Exchequer. The fall in the rate of inflation would by itself have reduced that cost. But as a result of the changes I now propose, the cost in respect of profits earned in the present calendar year (1981)—tax on which will mostly be paid in 1982-83—will be £450m.

"This includes the cost of dropping the credit restriction, of about £75m in the first full year. Only a part year cost—about £180m—will fall in 1981-1982. There will be a continuing revenue cost for some time to come and equally a substantial benefit to industry.

"I also propose a limited extension of consortium relief to enable consortium members to pass relief downwards to a consortium ompany.

Energy prices

Another area of concern to industry has been energy prices.

"I recognise the strength of the representations put to me to bring the level of fuel oil duty in this country more closely into line with that of our major European competitors. I have carefully considered the case for doing so.

"The direct benefits to industrial costs are obvious. But there are also other consequences, arising particularly from arrangements entered into some years ago for gas purchases. I understand that the overall effect of these would be to put up the cost of gas purchased by BGC and, with it, the UK's gas import bill.

"We shall keep the position under review. But in present circumstances I have concluded that the wider national interest would be best served by not reducing the duty, but keeping it at its present level.

"I am, however, able to announce measures which will assist industry on energy prices. The National Economic Development Council discussed last Wednesday the report of their Task Force on Energy Prices. The report showed that, while prices for the vast majority of industrial customers in this country remain in line with Europe, a limited but important number of large users of electricity and gas pay more for supplies than competitors in Europe.

"In these circumstances the electricity supply industry in England and Wales will, in addition to the action it has already taken, introduce new flexibility into its pricing arrangements, providing further scope for large high load factor industrial consumers to reduce their electricity costs.

Financing limits up

"The British Gas Corporation has already relaxed its industrial pricing policy to help its industrial customers. In addition, the corporation will now hold renewal prices for gas sold under contract to the present renewal levels until December 1, 1981. Furthermore, the normal quarterly price escalation arrangements for gas provided on a continuous basis will not be applied during this period. The action which is to be taken in this area by the Scottish Electricity Boards will be announced by the Scottish Office later today.

"These moves will give direct benefit to British industry. Accordingly I am increasing the External Financing Limits for the gas and electricity industries by some £120m in 1981-82. The cost will add to the public expenditure total.

"The NEDC Task Force also drew attention to industry's difficulties in the recession of finding the capital to convert equipment from oil to coal use. To help here we shall commit £50m over the next two years for grants towards the cost incurred in converting from oil-fired boilers to coal.

"The expenditure will be offset, at least in part, by greater coal sales. Any net cost will be met from the Contingency Reserve.

"The construction industry is particularly hard pressed and it is in any case sensible to remove unnecessary obstacles to development. We have identified three helpful changes to Development Land Tax which will stimulate activity, and so employment, particularly this year and next.

Development land tax

"First: under the present law, if industrial development is undertaken by the owner for his own use, tax is deferred until the property is sold or put to other use. I propose that for two years this relief should be extended to other types of development for the owner's use, including commercial and hotel development.

"If a development is begun by April 1 1983 there will be no DLT for an owner to pay on any part intended for his own use until the property is sold or otherwise disposed of.

"Second: where property is extended there will in future be no charge if the extension does not increase the size of the building by more than one-third. The current limit is one-tenth.

"My third proposal will reduce the burden of DLT on builders who acquire land for residential development and will be of particular benefit where land is released by local authorities and others for building homes. The cost of these measures is put at up to £5m in a full year, but the benefit to the economy could be much greater.

"As I have said, I am concerned that businesses should continue to invest for the future. Our tax system already provides generous incentives for investment in new machinery. But modern machines will seldom yield their full potential if they are housed in obsolete and inefficient factories.

"I therefore propose to increase the initial allowance for expenditure incurred after today on the construction of new industrial buildings, from 50 per cent to 75 per cent. The cost will rise to £25m by 1984-1985. This will benefit not only manufacturing but also employment in the construction industry.

Capital taxes

"The measures I have just announced will in total be worth about £300m next year. And the tax measures alone will be worth over £400m in 1982-83.

"But if we are to build a strong and vigorous economy we must do more to encourage and reward the creation of new enterprises, new wealth and new jobs. I turn, therefore, to the subject of capital taxation, which bears especially heavily on the owners of small businesses.

"In a year in which we can give no income tax relief, I cannot make major changes in capital taxation. I do, however, propose to continue the process of making more sense of the structure of capital taxes.

"First, Capital Transfer Tax. One new concept introduced as a feature of this tax was the idea of cumulating gifts made at any time in a person's life. Some allowance was made for the earlier payment of tax on transfers during life than on death, but only at the bottom of the scale.

"As a result people are deterred from transferring their property during their lifetime. This is undesirable. Business property, in particular, should be permitted to pass more freely from one generation to another.

"I propose therefore to recast the lifetime scale. At the bottom the charge on gifts will remain half that on death: at the top it will become two-thirds. I also propose limiting cumulation to 10 years and extending the capital gains tax roll-over relief to gifts into trust, to avoid a double charge.

"I hope that, by encouraging gifts, the Exchequer will benefit as well as the taxpayer. I also propose to increase the annual exemption to £3,000.

"Capital transfer tax is also holding back the supply of land for new entrants to the farming industry. Tax is not the only factor, of course. But it is important to maintain a proper balance between owner-occupied and let land, allowing for their different value.

"I have in mind the unequal treatment of let land. At present, no relief is normally given on let land. In future relief will be available at 20 per cent. Agricultural land not subject to a lease will continue to receive relief at 50 per cent.

"The difference in the rate of relief recognises the lower value that let land commands and the lower tax burden it attracts as a result. The facility to pay CTT by interest-free instalments will be extended to let agricultural land and the limit of £1m will be removed.

Avoidance devices

"Next, trusts. I am grateful to all who responded to our consultative paper. I propose to tackle some matters this year: but on discretionary trusts draft clauses will be prepared for further discussion and we shall legislate next year. Meanwhile, there will be a final extension of the transitional period to March 31, 1983, or March 31, 1984 where an application has to be made to a Court.

"I also propose dealing with certain avoidance devices which centre on the market value rule for capital gains tax purposes, and aligning the capital gains tax rules with the new income tax rules developed following the Vestey case.

"The net effect of all these proposals in the capital tax field will be a cost of £5m this coming year but a gain of £15m in a full year—the saving from the anti-avoidance measures exceeding the cost of the reliefs I have proposed.

"I intend to include one stamp duty provision in the Finance Bill which will help those buying council houses. This will ensure that stamp duty will be payable only on the discounted price that the buyer actually pays and not on some higher figure.

"Last year, I introduced a number of measures to help small firms. In addition to the major new initiative to establish Enterprise Zones, these included a venture capital scheme, improved tax relief for small workshops, and a reduction in the rate of corporation tax for small companies.

"All these measures have been widely welcomed. The 11 proposed enterprise zones have stimulated intense interest among investors and the private sector has begun to respond even before the zones are formally established.

"Meanwhile provision of private finance for small factory units has grown rapidly. The continuing strong demand for small workshops shows the strength of the small business sector.

"But we can and must do even more to help existing small businesses to grow, and to encourage new businesses to start up. This remains an essential key to new jobs.

"First, VAT. I propose that, as last year, the registration threshold should be increased in line with prices—on this occasion from £13,500 to £15,000. This change will take effect from midnight tonight."

Corporation tax

"Second, I propose to increase from £70,000 to £80,000 the limit up to which the lower 40 per cent rate of corporation tax is payable by small companies. I also intend to respond to one of the longstanding complaints from small companies, which is the relatively high marginal rate of tax which they have to pay when profits exceed this limit.

"The limit at which the full corporation tax rate of 52 per cent becomes payable will be raised from £130,000 to £200,000. This will make for a gentler progression from the small companies' rate to the full corporation tax rate. The cost of these changes will be £12m in 1981-82 and £21m in a full year.

"Third, new businesses depend on ready access to fresh capital. Last year I relaxed the conditions governing tax relief for interest on money borrowed to invest in close companies.

"The limit at which the full corporation tax rate of 52 per cent becomes payable will be raised from £130,000 to £200,000. This will make for a gentler progression from the small companies' rate"

That was good for small companies.

"This year I am relaxing the conditions for industrial co-operatives and partnerships.

"Fourth, as the House knows, the Government will shortly introduce new clauses at committee stage of the Companies Bill, to enable companies to purchase their own shares. Corresponding changes are needed in the present tax structure to help with a number of problems arising in small and family businesses.

"I am, therefore, asking the Inland Revenue to issue a consultative document on this subject this summer, with a view to legislation in next year's Finance Bill.

"Fifth, I intend to extend the venture capital scheme introduced last year. This scheme encourages investment in small businesses by allowing capital losses on shares in unquoted trading companies to be set off against income.

"At present, it is confined to investment by individuals. I propose to extend the scheme now to investment by companies, some of which may be able to provide funds for expanding small firms.

Redundancy threshold

Sixth, we have looked at ways of encouraging people who are unemployed, particularly those who have just become redundant, to help themselves, and the economy, by setting up in business. Redundancy payments and other payments made on termination of employment are presently taxable if they exceed £10,000. I am raising this threshold to £25,000 with effect from April 6. In addition the rules for the taxation of these payments will be simplified.

"Furthermore, we are looking at the suggestion that the existing Social Security rules act as a deterrent to initiative. We are considering whether they could be altered, or other arrangements made, so as to encourage people who have been declared redundant, or who have been unemployed for some time, to start their own new small businesses.

"All these measures will be of significant help to small businesses. But I intend to go further. I have two new measures to announce.

"First, as the House knows, I have been considering the introduction of a loan guarantee scheme. There are some people who, for one reason or another, have difficulty borrowing money to start or develop a business. They may, for example, not have the necessary collateral.

"I am pleased to be able to announce that agreement in principle has been reached with the major clearing banks and the Industrial and Commercial Finance Corporation on the introducton of a pilot loan guarantee scheme.

"The scheme will run for three years initially, subject to an overall maximum limit of £50m to be lent in each year. Individual term loans of up to £75,000 will be available for periods of between two and seven years.

Start-up scheme

"Government guarantees will be available for 80 per cent of each loan. The scheme will be administered by the Department of Industry. Further information will be given by the Secretary of State.

"The scheme is intended to be self-financing. Lenders will make a full commercial charge for their loans, part as an interest payment to the lender, part as a guarantee premium payment to the Department of Industry. Receipts from premium payments will be designed to cover the cost of claims made under the guarantee provisions.

"My second new proposal breaks entirely fresh ground.

"I am introducing an entirely new tax incentive to attract individual investors to back new enterprises. It is designed for the outside or minority investor in certain new small trading companies"

"One of the biggest problems faced by people thinking of starting their own business is the difficulty of attracting sufficient risk capital to finance it during its critical early years.

"The amounts of additional money needed can be modest — at least as compared with the sums which the big financial institutions commonly deal. But they can be crucial in individual cases.

"The individual private investor has for many years had little encouragement to help fill this gap in the capital market. I propose to change this.

"The private investor can often contribute not only risk capital, but also direct personal business experience. The opportunities are certainly there.

"What is needed is to make it more attractive and more rewarding for private investors to seize them.

"I am, therefore, introducing an entirely new tax incentive to attract individual investors to back new enterprises. It is designed for the outside or minority investor in certain new small trading companies, as distinct from the owner of the business, his close family and associates.

"I am calling it the Business Start-up Scheme. Under the scheme an investor will be able to obtain relief against income tax on up to £10,000 invested in any one year.

"The relief will be given in addition to the range of tax reliefs already available to the company itself, provided the investment is maintained for at least five years.

"The Scheme will relate only to genuine new business enterprises of the kind I have in mind. There will be strict rules to ensure that it is not used for investment in financial or passive operations. Nor, of course, for tax avoidance.

"I am introducing the new scheme in the first instance for a three year period, beginning with the coming financial year 1981-82.

"This Business Start-up Scheme will be unique, not only in this country, but among our main trading competitors. It will be a striking new incentive to channel investment into small businesses."

Opportunities programme

"These measures to encourage enterprise and risk-taking are essential if we are to replace the jobs that are disappearing elsewhere in the economy. There must be a healthy flow of new enterprises. We must be ready to set aside resources now to encourage them. They are the real future hope for absorbing and re-directing the people and other resources presently squeezed out of employment by the forces of economic adjustment.

"As I have said, this is the second Budget in which I have included measures to help and encourage small businesses. The measures I have just announced, together with those last year, constitute a formidable array of incentives.

"The tax system is now geared significantly in favour of enterprises, risk taking and investment.

"Much has also been done by this Government to ease the problems of small businesses in other ways—for example by relaxing employment and planning rules. All this represents a complete change in the climate within which the small business operates.

"It is vital that these enterprise measures be widely known and understood, and that people be encouraged to take advantage of them.

Improved advice service

The Government recognises the need to give a lead in this. We shall, therefore, be launching a Business Opportunities Programme to publicise the help, advice and incentives available to small business.

"We are also going to improve the advisory service available to small businesses in urban areas in England and to co-ordinate the advisory services provided by the Council for Small Industries in Rural Areas (COSIRA) and the Small Firms Service of the Department of Industry. The opportunities are there. We must now do all we can to see that they are grasped.

Redressing the balance

"This Budget has been designed to sustain the fight against inflation, and to help redress the balance of the economy in favour of business and industry. It is only by giving priority to those objectives that we can strengthen the basis for sustained economic advance.

"We shall continue to pursue our strategy for the defeat of inflation with determination. That strategy will be fortified by the changes which I am proposing today. They will reinforce the progress that has already been made and for which the nation can take credit.

"In the year ahead the burden of income tax and the excise duties has to rise, in order to secure lower interest rates and thus improve the prospects for industry and employment.

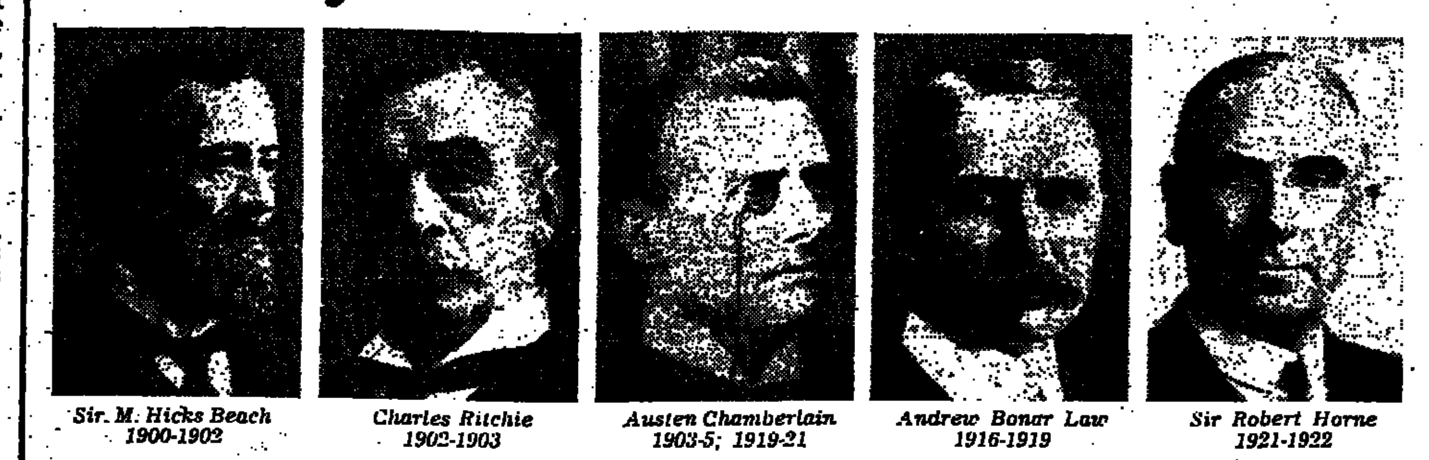
"The downturn in the present economic cycle has been unusually severe. But it should now be coming close to its end. When recovery does start, the country will be better fitted than for many years to take advantage of the new opportunities. For important lessons have been painfully learned. A greater sense of realism has been restored.

"So as we look further ahead, we can reasonably expect lower inflation and, in due course, lower unemployment and a reversal of the upward trend in the burden of taxation.

"My present proposals are designed to secure our steady progress in the right direction—and I commend them to the House."

The Chancellor sat down at 5 pm, having spoken for 1½ hours.

Tory chancellors since 1900



Sir M. Hicks Beach 1900-1902 | Charles Ritchie 1902-1903 | Austen Chamberlain 1903-5; 1919-21 | Andrew Bonar Law 1916-1919 | Sir Robert Horne 1921-1922

Stanley Baldwin 1922-1923 | Neville Chamberlain 1923-4; 1931-5; 1935-7 | Winston Churchill 1924-1929 | Sir Kingsley Wood 1940-1943 | Rab Butler 1951-1955

Harold Macmillan 1955-1957 | Sir Geoffrey Howe, Chancellor of the Exchequer since 1979, who presented his third Budget yesterday, the 48th Tory Budget this century. | Peter Thorneycroft 1957-1958

D. Heathcoat Amory 1958-1960 | Selwyn Lloyd 1960-1962 | Reginald Maudling 1962-1964 | Iain Macleod 1970 | Anthony Barber 1970-1974

'Massive and monstrous deflation of the economy,' says Foot

BY MARGARET VAN HATTEM, LOBBY STAFF

"A NO-HOPE budget from a no-hope Chancellor," was how Mr. Michael Foot, Leader of the Opposition, summed up Sir Geoffrey Howe's Budget speech.

"It results from a combination of the primitive morals of the monetarists and the practical incompetence of this broken-backed Cabinet," he said.

"It adds up to a massive and monstrous deflation of the economy. What the Chancellor has proposed today will be a catastrophe of the first order for the British people and the British economy.

"It can only inflict the most serious damage on our country now and in the months and years to come."

Mr. Foot did not attempt a detailed reply to the measures announced by the Chancellor, relying on rhetoric and colourful invective to set the tone of the Opposition's attack in the debate over the next few days.

It was a Budget, he said, that opened the way to ever-increasing unemployment and assured that there would soon be more than 3m unemployed.

"It is a Budget of no hope whatever to the people of this country," he said. "Abandon hope all ye who enter here—that is what should be inscribed above the monetarist inferno in which they still believe.

"They offer no hope to the 1m who joined the ranks of the unemployed during the past 12 months; no hope to the half-million who will join them in the coming year; no hope to those coming out of the youth employment schemes — they still have to find jobs, you know."

Mr. Foot singled out the proposal not to increase taxation allowances for his particular censure. Tax thresholds were now lower ...than when the Government took office, despite their own specific election promises that personal taxes would not be increased.

The Chancellor's decision, he continued, was in direct contravention of the Rooker-Wise amendment providing for indexation of taxation allowances.

"I hope all those who voted for his amendment will vote again for the maintenance of its principles," he said. "What we have heard today is sharp practice on a scale no one had imagined." The cost in extra taxation payable over a full year, would be £99 for a married couple and £63 for a single person.

He welcomed the relife for the disabled and the improvement in child benefits although he pointed out that these would not regain their value at May 1979 when the Government took office.

The 2 per cent cut in Minimum Lending Rate was also welcomed — "We welcome any cut in MLR though we would have preferred a larger one," he said.

But Mr. Foot attacked the speech to announce the change Chancellor's use of the Budget in interest rates. This was a misuse of the speech, he said, and quoted a comment from Mr. Samuel Brittan, the Financial Times Economic ...Editor, to the effect that there was a special circle of hell designed for those who adopted such tactics.

"I'd not dream of using such language myself," he said amid laughter on both sides of the House. "But this, it seems, is the kind of language that monetarists exchange among themselves."

"The most scarifying part of the Chancellor's speech," he continued "Was when he said that to change course now would be fatal. I presume he was aserting that they intend to continue with the same policy of massive deflation."

Details of tax adjustments, additions and relief

THE FINANCIAL statement and Budget report published yesterday announced the following proposed tax changes:

Income-tax

It is proposed—

To increase the allowance for blind persons from £180 to £360.

To alter with effect from 1982-83 the scales which measure the taxable benefit of company cars and with effect from 1981-82 the provisions which modify them where there is little business use and to amend the law governing the provision of petrol by an employer for the employee's private use.

To make other changes with effect from 1982-83 in the taxation of fringe benefits, in particular in relation to the benefit derived from the provision by employers of credit cards, season tickets and medical insurance premiums.

To increase to £25,000 the threshold above which tax is chargeable on payments made on termination of employment and to revise the system of reliefs available to individuals receiving payments above £25,000.

To tax with effect from 1982-1983 sums paid to employees under certain sick pay schemes.

To introduce a relief for investment by "outsiders" in certain new corporate trades ("Business Start-up Scheme").

To allow relief for interest paid on money borrowed for investment in a partnership to borrowers who do not personally act in the conduct of the business.

To allow relief for interest paid on money borrowed for investment in an industrial co-operative to borrowers who are members of the co-operative.

To allow for 1982-83 onwards interest relief to be claimed without a break where the borrower is obliged to switch from claiming relief against his general income to claiming relief by deduction as a business expense.

To amend and supplement the provisions against avoidance of tax by virtue of or in consequence of transfers of assets abroad.

To amend the rules governing the payment of capital sums by trusts.

Income-tax and corporation tax

It is proposed—

To introduce a revised system of stock relief.

To increase the initial allowance for industrial buildings to 75 per cent for expenditure incurred after Budget Day.

Corporation tax

It is proposed—

For the financial year 1980 to increase the limit for the "small companies" rate of corporation tax from £70,000 to £80,000 and the limit for marginal relief from £130,000 to £200,000.

To extend group relief to allow certain losses of a consortium member to be surrendered to a consortium company.

To allow relief for interest paid which is charged to capital in a company's accounts.

To allow relief against investment companies' corporation tax profits on certain capital losses on equity investment in unquoted trading companies.

Corporation tax and capital gains tax

It is proposed—

To prevent avoidance through the use of the market value rule.

Oil taxation

It is proposed, for chargeable periods ending after December 31, 1980—

To introduce a Supplementary Petroleum Duty (SPD) at a rate of 20 per cent of gross revenues less an oil allowance of half a million tonnes per chargeable period.

To restrict the Petroleum Revenue Tax (PRT) uplift to qualifying expenditure incurred before payback; to restrict PRT safeguard to a limited period following payback.

To clarify the PRT treatment of conveying and treating costs where royalty is taken in kind; to restrict PRT uplift where assets are paid for under certain financing arrangements.

Capital gains tax

It is proposed—

To extend the rollover relief for lifetime gifts between individuals to gifts into settlement.

To revise the rules for gains arising to non-resident trusts and to trusts for the disabled and to strengthen the existing rules on certain other occasions of charge.

Development land tax

It is proposed—

To increase the limit for extensions to original buildings from one-tenth to one-third of the cubic content.

To defer the charge on a deemed disposal where the development is started before April 1, 1983 and is for the owner's use.

To provide a special relief for residential developments where land is held as stock in trade.

Capital transfer tax

It is proposed:

To introduce a new rate schedule for lifetime transfers other than those made within three years of death. The maximum rate is to be 50 per cent.

To limit to ten years the period over which the amount of transfers is totalled in order to determine the rate chargeable.

To increase the annual exemption for lifetime transfers to £3,000.

To remove the ceiling of £250,000 on the total value of chargeable transfers the tax on which may be paid by interest-free instalments and to extend the facility on tax on all property qualifying for agricultural relief.

To restructure the relief for agricultural property; in particular relief is to be allowed at 20 per cent for let agricultural land.

To extend the period during which transitional relief is available for distributions from discretionary trusts, and to postpone the introduction of the periodic charge on discretionary trusts.

To amalgamate the separate reliefs for successive charges which at present apply to absolute gifts and transfers within settlements, and to extend the period over which the relief is available from four to five years.

To make changes in relation to settled property, related property and free loans.

Stamp duties

It is proposed to ensure that stamp duty on purchases of public sector dwellings at a discount is charged by reference to the actual post-discount price paid.

Special tax on banking deposits

It is proposed to introduce a special tax, for one year only, on certain deposits held by banking businesses.

Value added tax

It is proposed to amend Section 20(1) and Schedule 1 to the Finance Act 1972 so as to increase the registration and deregistration limits. From March 11, 1981 the registration limits will become £15,000 per annum and £5,000 per quarter. From June 1, 1981 the deregistration limits will become £14,000 per annum where estimated future turnover is concerned, and £15,000 per annum where past turnover is concerned.

Car tax

It is proposed to amend Section 52 of the Finance Act 1972 relating to car tax as from April 1, 1981 to apply the tax, at its existing rate of 10 per cent of the wholesale value of the vehicle, to any two-wheeled vehicle of a kind normally used on the public roads which is propelled by an internal combustion engine and which is capable of carrying one or more persons.

Alcoholic drinks

It is proposed, from midnight 10-11 March, 1981, to increase:

(a) The rate of duty on spirits from £11.87 to £13.60 per litre of alcohol in the spirits.

(b) The rate of duty on beer from £13.05 to £18.00 per hectolitre and the charge for each additional degree of original gravity above 1030 degrees per hectolitre from £0.435 to £0.60.

(c) The rates of duty on wine by the following amounts per hectolitre:

Wine of an alcoholic strength not exceeding 15 per cent, from £81.42 to £95.20; exceeding 15 per cent but not exceeding 18 per cent, from £93.93 to £122.90; exceeding 18 per cent but not exceeding 22 per cent; from £119.59 to £144.70; exceeding 22 per cent: as above plus £13.60 (instead of £11.87) for every 1 per cent, or part of 1 per cent, in excess of 22 per cent; surcharge on sparkling wine: from £17.90 to £20.90;

(d) the rates of duty on made-wine by the following amounts per hectolitre:

Made-wine of an alcoholic strength: not exceeding 10 per cent: from £52.85 to £61.80; exceeding 10 per cent but not exceeding 15 per cent: from £79.16 to £92.50; exceeding 15 per cent but not exceeding 18 per cent: from £87.04 to £113.90; exceeding 18 per cent: as above plus £13.60 (instead of £11.87) for every 1 per cent, or part of 1 per cent, in excess of 18 per cent; surcharge on sparkling made-wine from £8.25 to £9.60.

(e) the rate of duty on cider and perry from £6.5 to £7.20 per hectolitre.

Hydrocarbon oil

It is proposed, from 6 pm on March 10, 1981, to increase:

(a) the rate of duty on light hydrocarbon oil petrol substitutes and spirits used for power methylated spirits from 10 pence to 13.82 pence per litre;

(b) the rate of duty on heavy hydrocarbon oil for use as road fuel from 10 pence to 13.82 pence per litre;

(c) the rate of duty on gas for use as road fuel from 5 pence to 6.91 pence per litre.

Tobacco

It is proposed from midnight March 13-14, 1981, to increase:

(a) the specific element in the duty on cigarettes from £13.42 to £18.04 per 1,000 cigarettes (the ad valorem element remaining unchanged);

(b) the duty on cigars from £25.60 to £34.29 per kilogram;

(c) the duty on hand-rolling tobacco from £22.60 to £29.56 per kilogram;

(d) the duty on other smoking and chewing tobacco from £17.40 to £21.92 per kilogram.

It is proposed to abolish from midnight March 13-14, 1981 the duty surcharge on higher tar cigarettes.

Matches and mechanical lighters

It is proposed, from midnight March 10-11, 1981, to increase:

(a) the duty on matches from 49 pence to 115 pence per short standard (7,200 matches);

(b) the duty on mechanical lighters from 20 pence to 50 pence per lighter.

Vehicle Excise Duty

It is proposed to increase the excise duty on mechanically-propelled vehicles which is chargeable under Section 1 of the Vehicles (Excise) Act 1971 and under Section 1 of the Vehicles (Excise) Act (Northern Ireland) 1972 by about 15 per cent. This figure is broadly descriptive and there will be some variations within particular vehicle categories. The increases have effect on relation to licences taken out after March 10, 1981.

It is also proposed to increase the weight threshold in relation to vehicles licensed under Schedule 1 of the 1971 and 1972 Acts from 8½ cwts to 425 kg (8.37 cwts) in respect of licences taken out after March 10, 1981.

Method of estimation of direct effects of a tax change

The direct effect of a tax change for a full year is the difference between the yield of the tax on the basis of the law prevailing before the Budget and the yield on the basis of the law after the changes proposed in the Budget.

For a change to an Inland Revenue tax, both yields are calculated on the same tax base. This is the level of taxable income, profits, etc., which is forecast for the first year to which the change fully applies, assuming that all the changes proposed in the Budget take effect. For a change in capital gains tax, capital transfer tax and development land tax, the proportionate change in yield for the first year to which the change applies is estimated and is applied to the forecast of receipts of the tax (before the change) in 1981-82.

For expenditure taxes, the post-Budget yield is based on the same forecast as the yields for the main Inland Revenue taxes. For Stamp Duties and Vehicle Excise Duties the same base is used for the pre-Budget change yield. But for other expenditure taxes the base for calculating the pre-Budget measures yield is derived from this by assuming that total consumers' expenditure at current market prices is unchanged. However, since consumers might be expected to alter their spending patterns in response to the change in relative prices resulting from the tax change (the substitution effect), and the general volume of their consumption in response to the change in real income (the income effect), the tax base also changes. The estimated direct effects of changes in an expenditure tax, other than Stamp Duties and Vehicle Excise Duties, take account of changes in revenue from other expenditure taxes affected by these substitution and income effects. A fuller description of the estimation of the direct effects of expenditure tax changes is provided in an article in *Economic Trends*, March, 1980.

The direct effect for 1981-82 is that part of the full year effect expected to come through into tax receipts during that financial year.

The estimates of the direct effects in this table do not allow for changes in the tax base resulting from changes in money incomes, the general level of prices and other economic variables which may be induced by the tax change under consideration. Such indirect effects would of course have to be taken into account in estimating the impact of the tax change on the PSBR.

Approximate direct effects of changes in duty rates on certain product prices

(All except VED inclusive of 15 per cent VAT)

Spirits duty	60 pence on a bottle of spirits
Beer duty	4 pence on a pint of beer of average strength
Wine duty	12 pence on a bottle of table wine
Fortified wine duty	25 pence on a bottle of sherry
Petrol duty	20 pence on a gallon of petrol
Derv duty	20 pence on a gallon of derv
Tobacco duty	14 pence on a packet of 20 cigarettes
Match duty	½ a penny on a typical box of matches
Mechanical lighter duty	35 pence on a lighter
Vehicle excise duty	£10 on a car licence

Direct effects of tax changes

	Forecast for 1981-82 £m	a full year £m
INLAND REVENUE		
Income tax		
Retention of 1980-81 main personal allowances and thresholds	Nil*	Nil*
Increase in blind allowance	−1	−1
Changes in taxation of fringe benefits	Negligible	+45
Changes in taxation of termination payments	−5	−5
Taxation of sums received under sick pay schemes	Nil	+50
Relief for investment in new corporate trades	Negligible	−50†
Extension of interest relief for borrowing to invest in partnerships	Negligible	Negligible
Interest relief for borrowing to invest in industrial co-operatives	Negligible	Negligible
Interest relief: switching to a deduction as a business expense	Nil	Negligible
Changes in anti-avoidance rules: transfer of assets abroad	Negligible	+4
Income tax and corporation tax		
New system of stock relief: additional cost	−180	−450‡
Industrial buildings: 75 per cent initial allowances	Negligible	−25§
Corporation tax		
Increase in limits for small companies' rate	−12	−21
Extension of group relief	Negligible†	−23†
Relief for capital losses against investment companies' profits	—	−10
Corporation tax and capital gains tax		
Prevention of avoidance through market value rule	Negligible	+50
Supplementary petroleum duty and petroleum revenue tax	+930¶	+265‖
Petroleum revenue tax		
Changes to PRT reliefs	—	+40**
Capital gains tax		
Settled property rules, including roll-over relief	Negligible	−15
Development land tax	Negligible	−2††
Capital transfer tax		
Changes in rates on lifetime transfers	−2	−4
Limitation of cumulation period to 10 years	Nil	‡‡
Increase in annual exemption for lifetime gifts	Negligible	−1
Extension of interest-free instalment facilities	−1	−5
Relief for let agricultural land	−1	−7
Extension of transitional period for discretionary trusts	Negligible	Nil§§
Extension and amalgamation of quick succession reliefs	−1	−3
Other changes	Negligible	Negligible
Stamp duties		
Duty on purchases of public sector dwellings at a discount	Negligible	Negligible
Special tax on banking deposits	+400	+400¶¶
TOTAL INLAND REVENUE	+1,217	+230
CUSTOMS AND EXCISE	£m	£m
Value added tax		
Increase in registration limits	−5	−10
Excise duties		
Increase in rate of duty on light oil, etc.	+910	+910
Increase in rate of duty on heavy oil for use in road vehicles	+270	+270
Increase in rates of tobacco products duty	+500	+510
Increase in rates of spirits duties	+60	+60
Increase in rates of beer duty	+370	+385
Increase in rates of wine and made-wine duties	+67	+67
Increase in rate of duty on cider and perry	+3	+3
Increase in rates of duties on matches and mechanical lighters	+15	+15
Car tax		
Extension to motor cycles	+10	+15
TOTAL CUSTOMS AND EXCISE	+2,200	+2,225
VEHICLE EXCISE DUTY		
Increase in rates of duty	+235	+225
OTHER		
Bus Fuel Grants‖‖	−37	−37
Total changes in taxation	+3,611	+2,649

* If these had been increased by 15.1 per cent as specified under the provisions of Section 24 of the Finance Act 1980, the revenue cost would have been £1,490 million in 1981-82, and £2,510 million in a full year.
† This estimate is highly uncertain.
‡ The additional cost in 1982-83 will be £400 million, with further substantial costs in later years. Amounts will depend on the level of inflation and other factors.
§ The cost in 1982-83 will be £10 million.
¶ Supplementary petroleum duty, +£1,850 million; petroleum revenue tax −£920 million.
‖ The full year forecast takes into account the consequential reductions in petroleum revenue tax and corporation tax irrespective of when they occur. Supplementary petroleum duty +£1,850 million; petroleum revenue tax −£1,295 million; corporation tax −£290 million.
** Petroleum revenue tax +£80 million, corporation tax −£40 million.
†† Estimated on a receipts basis; on the basis of the tax accruing in 1981-82, the cost is likely to be higher.
‡‡ Cannot be estimated.
§§ The cost in 1982-83 will be £20 million.
¶¶ Applicable to 1981-82 only.
‖‖ This is a consequence of the increase in road fuel duties. These grants are treated as tax refunds in Tables 14, 15 and 22.

Inflation rate should fall in short-term

THE FINANCIAL statement outlined short-term economic prospects for the period to mid-1982.

Against the background of a depressed world economy and a strong exchange rate, the move to a much lower rate of inflation of domestic costs and prices—already under way during 1980—is expected to be maintained.

With a lower PSBR and lower inflation, growth of the money supply in the target range of 6-10 per cent should be compatible with lower interest rates than have been necessary over the past year. The lower rate of inflation and some easing of cost pressures on industry are expected to permit the start of a recovery in output, but recovery is unlikely to be rapid.

Policy assumptions

This forecast assumes the monetary and fiscal policies set out in the Budget speech and in this report. The growth of £M3 during 1981-82 is assumed to be at the centre of the 6-10 per cent range.

Public expenditure is consistent with the public expenditure White Paper except where the underlying assumptions, e.g. on the rate of child benefit, are now different.

The exchange rate, which will be determined by market forces, is assumed for the purposes of this forecast to remain unchanged.

Government borrowing and monetary developments

The PSBR in 1980-81 is estimated to be about £13½bn. In 1981-82 the PSBR is forecast to decline to £10½bn, a fall from 6 per cent to 4½ per cent of market price GDP, on the basis of developments in the economy as now foreseen.

The experience of 1980-81 shows that the precise composition of demand and output, and developments in the labour market, are at least as important as the total change in output in determining the PSBR.

Public expenditure in volume terms in 1981-82 is expected to be much the same as in 1980-81. The main factors leading to a fall in the PSBR, as a percentage of GDP, in 1981-82, despite the increasing costs of recession, are:

● An increase in North Sea tax revenues, partly because of the changes to the fiscal regime, from an estimated £3¾bn in 1980-81 to about £6bn in 1981-82, both measured in current prices.

● The increase in National Insurance Contribution rates, announced in November along with other changes.

● The Budget increases in indirect taxation, the non-revalorisation of personal taxes and the special tax on banking deposits.

● Lower pay settlements assumed for the public services by comparison with the private sector.

With a PSBR in 1981-82 forecast at £10½bn, a fall in the financial surplus of the private sector, and a lower rate of increase of bank lending expected, the growth in the private sector's holding of financial assets should be considerably less than in 1980-81.

A £3bn inflow into national savings is planned, compared with around £2bn in 1980-81, contributing to the reduction in the share of money in the private sector's portfolio of financial assets and a moderate rise in velocity implied by the monetary target set for £M3.

Inflation

The fall in the inflation rate began early last summer under the impact of strong competitive pressures, and initially took the form of a squeeze on profit margins.

While there are no signs that these pressures on margins are letting up, the downward trend in price inflation has been reinforced in recent months by a much lower rate of pay settlements.

In 1981, the year on year increase in manufacturers' output prices is expected to fall to single figures, with a rise in domestic costs much less than in 1980.

Retail prices will also benefit from these favourable trends in costs, but increases in rents and rates, further moves by some of the nationalised industries towards economic pricing, and the increases in specific duties announced in the Budget will contribute to an increase in retail prices which is forecast to be 10 per cent over the year to the fourth quarter of 1981.

The growth in £M3 well in excess of the target range in 1980-81 should not be reflected in a rise in inflation. Indeed, a further fall in the inflation rate is in prospect for 1982, as a result of the continuing slowdown forecast for domestic costs, and lower increases in administered prices.

By mid-1982, the retail prices index may be 8 per cent higher than in mid-1981. As always, a forecast of prices for more than a year ahead is subject to a wide margin of error.

The world economy and UK trade

The prospect for 1981 is for only a slow resumption of growth in output in the world economy. The increase in United Kingdom-weighted world trade in manufactures for 1981 as a whole may be some 2-3 per cent.

Growth in the first half of 1982 could be rather stronger as cyclical recovery gathers way in the industrial countries.

The UK share of world trade in manufactures is thought to have fallen in volume terms in 1980, but risen in terms of value. By early 1981, the volume of exports of manufacturers appeared to be on a declining trend, probably reflecting worsening competitiveness over the past three years and weak world demand.

Past evidence suggests that the UK's share of world trade in manufactures, in volume, is significantly affected by changes in competitiveness with a lag which extends over several years. But it is impossible to predict with any confidence the consequences of the large change in competitiveness in recent years (whether defined in terms of relative unit labour costs or relative export prices).

Surveys conducted by the CBI and the trend in engineering export orders suggest a fall in the volume of export deliveries over the forecast period. Non-manufactured export of goods, especially of oil, are likely to continue rising and so provide some offset to the trends in manufacturing exports.

Import volumes fell sharply in the course of 1980, the turnround in imports of manufactures being particularly marked. Much of this fall was associated with the sharp turnround in stocks, and as moves to cut stocks peter out over the next year, so imports are liable to increase, perhaps quite strongly, from recent low levels.

But forecasts of imports in recent years have often gone seriously astray, and there is a wide margin of uncertainty about future trends in import propensities. The ratio of imports to total final expenditure, which has been rising slowly over the last decade, fell back last year, as it did in 1975. Over the forecast period, the ratio is liable to rise again.

The current account of the balance of payments, which swung rapidly into surplus in the course of 1980, may return to near balance over the forecast period. An adverse trend in the volume of net trade in goods and services should be partly offset by a further improvement in the terms of trade, on the basis of the path assumed for the exchange rate.

Domestic demand and activity

As a result of wage settlements falling sharply, declining employment, and the Budget increases in taxation and the increase in National Insurance Contribution rates, the personal sector's real disposable income in aggregate is likely to decline over the forecast period.

The rate of personal savings, which is estimated to have been at the exceptionally high level of 16 per cent of disposable income in the middle two quarters of 1980, is likely to fell, partly because of the usual reaction to a fall in real income, partly because the recent and forecast declines in inflation reduce the amount of saving necessary to maintain intact the real value of financial assets.

Consumers' expenditure, in total, may decline a little, in real terms, in 1981.

Spending by companies on stocks fell sharply in 1980, partly in response to the fall in disposable incomes. However, by the end of 1980, the stock-output ratio in manufacturing was at a high level, as normally happens to some extent in a period of falling output.

Further destocking may, therefore, occur over the forecast period, though at a progressively lower rate, leading to a more normal stock-output ratio by early 1982. Spending on fixed investment by private companies had not fallen much by the end of 1980, though manufacturing investment was clearly on a downward trend.

Survey and other evidence points to a further decline in manufacturing, but little change elsewhere. A decline in interest rates and improved availability of finance should allow investment in private dwellings to pick up from current low levels.

General government expenditure on goods and services, in volume terms, probably declined a little in 1980, with a particularly sharp fall in local authority investment (including the effects of council house sales). This pattern may continue over the forecast period. Fixed investment by public corporations is broadly flat in real terms.

Domestic demand, in total, which declined 3 per cent in 1980, mainly reflecting the extent of destocking, should recover over the forecast period. But with the volume of exports tending to fall, and the import propensity to recover, the prospect for domestic output is one of only gentle recovery over the next year.

The table sets out half-yearly paths for total output and for manufacturing output:

TABLE FOR DEPRESSED

		GDP	Manf. output*
		1975=100	
1980	I	109	98½ (98½)
	II	106	90½ (91½)
1981	I	105	88
	II	105½	89
1982	I	106	89½

* Based on implied quarterly level of output after adjusting for stock changes. The published monthly production figures are given in brackets.

For 1981 as a whole, total output may be 2 per cent lower than in 1980, and manufacturing output 6 per cent lower. But by the first half of 1982, total output could be 1 per cent higher than a year earlier, with manufacturing output also recovering.

This recovery in output will help to limit the rise in unemployment, which is beginning to show signs of easing off.

Risks and uncertainties

At best, forecasts are capable of narrowing the range of uncertainty over economic prospects. Forecasts attempt to establish stable patterns of past behaviour—as summarised for instance in relationships between spending and income—and to use these patterns, taking account of special features of the current economic situation, to predict future behaviour.

The forecasts are, of course, subject to wide margins of error, but there is no objective way of measuring these margins. The only practicable approach is to examine the record of past forecasts—made under different circumstances with somewhat different methods—over a run of years; this provides some quantitative indication of the size of possible errors.

The approach developed in official forecasts stresses the average absolute margin of error (which is one of a number of possible measures).

The table shows the errors from past forecasts calculated in this way. It is convenient to refer to "margins of error," but it should be clear that these are averages.

In the case of the PSBR, experience of forecasts made at budget time over the period 1967-79 points to an average absolute error of 1½ per cent of GDP. For 1981-82, this is equivalent to £3½bn.

Short-term economic prospects

	Forecasts	Average error from past forecasts*
Output and expenditure at constant 1975 prices		
Per cent changes between 1980 and 1981:		
Gross domestic product (at factor cost)	−2	1
Consumers' expenditure	−1	1
General Government expenditure on goods and services	−1½	1½†
Other fixed investment	−1½	3
Exports of goods and services	−5¼	2½
Imports of goods and services	−2¼	2
Change in stockbuilding (as per cent of level of GDP)	+½	¾
Balance of Payments on current account		
£ billion:		
1981 First half	2	1
1981 Second half	1	1
1982 First half	0	1½
Public Sector Borrowing Requirement		
£ billion; in brackets per cent of GDP at market prices:		
Financial Year 1980-81	13½(6)	
Financial Year 1981-82	10½(4½)	3½(1½)
Retail Price Index		
Per cent change:		
Fourth quarter 1980 to fourth quarter 1981	10	2
Second quarter 1981 to second quarter 1982	8	4
Money Supply (Sterling M3)		
Per cent change at annual rate:		
Mid-February 1981 to mid-April 1982	8	—

* The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on government forecasts notably in November 1978 (see Economic Progress Report Supplement or Economic Trends No. 301; November 1978). The calculations for the constant price variables are derived from internal forecasts made during the period June 1965 to October 1978. For the current balance and the retail price index, forecasts made between June 1970 and October 1978 are used. For the PSBR Budget time forecasts since 1967 are used. For PSBR forecasts since 1973, the average error has been 2 per cent of GDP, equivalent to £4½ billion in 1981-82. The status of £M3 as a target variable, and the absence of a reasonable run of years over which to average forecast errors, make it inappropriate to quote average errors. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts. Quarterly forecasts are grouped so as to be comparable with the changes between periods as shown. For example, the margins for the forecasts of percentage changes between 1980 and 1981 given in Section A above are derived from errors of past year on year forecasts made over the same forecast horizon.
† This margin applies to general government consumption.

Forecasts of expenditure, imports and Gross Domestic Product†

£m at 1975 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1975=100
1979	71,300	24,300	3,400	27,700	17,150	32,900	1,600	150,650	35,250	12,400	300	103,300	110.1
1980	71,700	24,750	2,850	27,600	17,200	33,200	−2,200	147,500	34,200	12,450	0	100,850	107.4
1981	71,100	24,950	2,150	27,100	17,000	31,450	−2,100	144,550	33,350	12,400	0	98,800	105.3
1979 First half	35,850	12,100	1,650	13,750	8,400	16,050	1,000	75,050	17,350	6,300	150	51,650	110.0
Second half	35,450	12,200	1,750	13,950	8,750	16,850	600	75,600	18,000	6,100	150	51,650	110.1
1980 First half	36,050	12,300	1,500	13,800	8,750	16,900	−400	75,100	17,800	6,250	150	51,200	109.1
Second half	35,650	12,450	1,350	13,800	8,450	16,300	−1,800	72,400	16,400	6,200	−150	49,650	105.8
1981 First half	35,750	12,500	1,100	13,600	8,350	15,800	−1,700	71,800	16,300	6,250	0	49,250	104.9
Second half	35,350	12,450	1,050	13,500	8,650	15,650	−400	72,750	17,050	6,150	0	49,550	105.6
1982 First half	36,150	12,400	1,000	13,400	8,400	15,550	150	73,650	17,600	6,250	0	49,800	106.1
Percentage changes on year earlier													
1980	½	1½	−16	−½	½	1		−2	−3	0		−2½	
1981	−1	1	−23	−1½	−1½	−5¼		−2	−2¼	0		−2	
1982 First half	1	−1	−7½	−1½	½	−1½		2½	8	½		1	

† GDP figures in the table are based on "compromise" estimates of gross domestic product. Note—Figures in £ million are rounded to £50 million. Percentage changes are calculated from unrounded [illegible] per cent. The GDP index in the final column is calculated from unrounded numbers.

Medium-term policy reaffirmed

The Budget statement published yesterday announced the continuation of the medium-term financial strategy introduced a year ago. It said:

The Government's objectives for the medium-term are to bring down the rate of inflation and to create conditions for a sustainable growth of output anr employment.

It is committed to a progressive reduction in the growth of the money stock and to pursuing the fiscal policies necessary to achieve this without excessive reliance on interest rates.

The past year has seen greater monetary growth and public borrowing than was intended, but the Government is determined to ensure that the essential thrust of its financial strategy for the medium-term is maintained. The main proposals in the Budget are directed to that end.

The fiscal projections set out below are consistent with the Government's aims to reduce monetary growth and inflation. Bupt the projected level of public expenditure implies a burden significantly higher than the Government would wish.

For this reason the Government regards the level of public expenditure as requiring the most serious attention during the 1981 Survey.

Financial Developmenst in 1980-81

The recession has been worse than was expected a year ago, and in particular manufacturing output and employment have fallen sharply.

Inflation, however, came down faster than was forecast and the prospects are for a further decline in the coming year.

With output and inflation both falling, the growth of nominal GDP slowed down considerbaly in the course of 1980-81. This helped to ease the upward pressures on interest rates.

The year, however, was marked by major imbalances within the economy and these were a major factor behind the rapid growth of the broad measures of the money stock.

High pay settlements in the 1979-80 round coupled with the high exchange rate substantially increased the real disposable income of persons.

A high proportion of this income was saved. This rise in personal incomes, however, was largely at the expense of companies, whose profits were severely squeezed.

Companies reacted to the pressures on them by reducing stocks and employment.

The company sector thereby contained its financial deficit within reasonable bounds. Its actions helped to produce a large surplus in the current account of the balance of payments.

They also increased the public sector's deficit. The fall in employment in the private sector and the high pay increases in the public sector, partly reflecting the staging of awards, meant that the pay bill of the public sector rose twice as fast in 1980-81 as that of the private sector. This divergence contributed to the overrun of the PSBR.

The increase in the public sector's borrowing was not, however, as in previous recessions, accompanied by much fall in the private sector's demand for credit. Bank lending remained high for most of the year, partly reflecting the desire by companies to preserve their liquidity.

High personal saving and the limitation of the company sector deficit were reflected in a substantial increase in the net financial assets of the private sector as a whole.

This rise in the private sector's financial wealth was probably an important influence on the growth of the wider measures of money supply, since the public's demand for liquid balances is, over time, related to the movement of its total holdings of financial assets.

Real financial wealth had been depressed in 1979 by the effects of high inflation and high interest rates. The past year has seen it restored to a more normal level.

The difficulties of interpreting recent monetary developments are increased by the wide divergence between the various monetary indicators.

All the measures of money stock fell in real terms during the winter of 1979-80; all showed some real increase from the spring onwards, but the increase was considerably greater for £M3 than for the other aggregates. Over the year to mid-February £M3 grew by 20 per cent.

A better guide to the true growth of broad money through this period is probably given by PSLI, which includes private holdings of bills as well as money, and so should have been less affected than £M3 by the corset and other distortions. This rose by 17 per cent during the year.

The still wider measure of private sector liquidity, PSL2, which includes savings deposits and securities, rose by 15 per cent. Among the narrower measures of money supply, M1 rose by only 9 per cent. This and other narrower measures of the money stock in fact fell in real terms over the year as a whole.

Other indicators also suggest that financial conditions in 1980-1981 were tight: the high exchange rate; high interest rates; the absence of any marked upward movement in the prices of houses or other real assets.

Taken on its own, therefore, £M3 has not been a good indicator of monetary conditions in the past year.

However, over the medium-term its velocity of circulation has been broadly stable, and for such a period the growth of £M3 can be more readily related to the growth of nominal income and overall fiscal stance.

It can, therefore, provide a guide to the levels of public expenditure, revenues and borrowing likely to be consistent, over the medium-term, with the objective of bringing down monetary growth and interest rates. £M3 is accordingly being retained as the main target variable in the medium-term financial strategy, though as in the past year, the significance of short-run movements for interest rate policy will be interpreted in the light of other financial developments as well.

The path for monetary deceleration

Some of the factors that have been identified as contributing to the rapid growth of £M3 in 1980-81 mean that it should not have the implications for future inflation which generally follow an increase in money supply.

At the same time the high exchange rate and high real interest rates have ensured that monetary conditions remained tight and that progress in reducing inflation was maintained.

Nonetheless, it is important not to disregard the past year's rapid rise in setting targets for monetary growth for the later years of the medium-term financial strategy.

As explained in the Budget Speech, the target range for £M3 in 1981-82 is to be set at the 6-10 per cent indicated in last year's FSBR. The precise target ranges for the following years will be decided nearer the time.

Meanwhile it is the Government's intention to consider clawing back some of the past year's rapid growth of £M3 by permitting an undershoot as and when the opportunity arises.

In the present review of the medium-term financial strategy no allowance has been made for such clawing back in the later years of the MTFS period. The ranges for 1982-83 and 1983-84 shown last year have therefore been retained.

Fiscal policy

The Government intend that fiscal policy should be consistent with this declining path for monetary growth. The PSBR as a proportion of GDP will be brought down substantially over the medium-term, so as to create conditions in which interest rates can fall.

The illustrative tables in last year's Financial Statement and Budget Report were based on the public expenditure plans as they stood at that time and revenue projections that assumed that GDP grew by 1 per cent on average in the yeays 1980-83.

Since those projections were made there have been some substantial changes:

● First, the prospects for growth over the next two or three years, both in this country and in the rest of the world, have deteriorated: this both reduces projected revenue and increases projected expenditure.

● Second, partly as a result of the lower activity, public expenditure plans in the new White Paper (Cmnd. 8175) are considerably higher than those plblished a year ago.

● Third, the build-up of North Sea revenues looks like being slower than expected earlier, in spite of changes to the North Sea fiscal regime.

● Fourth, the increases in other taxes and contributions announced last November and in the Budget will increase future revenues.

The first three of these changes all worsen the fiscal prospect. They have entailed substantial increases in the tax burden.

The illustrative tables published last year showing the evolution of government expenditure, revenue and borrowing over the period to 1983-84 have been re-worked to take account of these changes.

For this purpose it has been assumed that GDP growth over the three years 1980-83 averages ½ prec ent a year. Such a rate is broadly representative of the current range of outside forecasts.

The reduction from the 1 per cent average for this period assumed a year ago mainly reflects the lower output now expected in 1981. If the economy develops in the coming year as now forecasts, the assumption made for the three years would imply growth averaging about 1½ per cent in the last two years of the period.

Public expenditure

The plans announced in the Public Expenditure White Paper (Cmnd. 8175) show a reduction of 4 per cent in the volume of public expenditure between 1980-81 and 1983-84, about the same as in the plans published last year, but starting from a substantially higher level.

In assessing the implications for fiscal policy, it is helpful to look at expenditure in cost terms (i.e. including the assumed relative price effect, RPE), since this gives a clearer idea of their tax and financing ilimpcations.

In the past year the relative cost of public expenditure has risen sharply, reflecting both the growth of earnings in the public services and the fact that the goods and services bought for the public services have not experienced the same downward pressures on their prices as those bought by consumers or private businesse.

In cost terms (at 1979-80 prices) general government expenditure is projected to decline over the next four years—from £91½bn in 1980-81 to £87½bn in 1983-84. This is a bigger reduction than shown in the volume figures, and reflects some fall in the relative cost of government expenditure.

Revenue is projected on the conventional asumption of constant indexed tax rates and allowances at the proposed 1981-82 levels.

National insurance contributions in future years are asumed to be adjusted to maintain the balance of income and expenditure in the fund. It is assumed that the supplementary petroleum duty continues throughout the period.

On these assumptions, total general government revenues are projected to rise by about 7 per cent in real terms between 1980-81 to 1983-84.

Receipts of non-North Sea taxes are projected to rise by about 5 per cent in real terms through the period. The projected yield of these taxes is, of course, highly sensitive to the particular growth rate assumed for the economy.

Money Supply and Public Sector Borrowing

The PSBR for 1980-81 is now estimated at £13½bn, compared with the forecast of £8½bn in the Budget.

The PSBR of £10½bn forecast for 1981-82 is about £3bn higher than that implied in last year's medium-term projections. General government expenditure in that year is now put about £6bn higher in cash than was then projected, and revenue about £3bn higher.

A substantial part of the increase in the forecast of expenditure in boht 1980-81 and 1981-1982 is attributable to the recession being worse than expected, with spending on social security benefits, special employment measures, redundancy fund payments and, in1981-82, external finance for nationalised industries especially affected.

In addition, debt interest payments and some expenditure on goods and services are also higher than forecast a year ago. The main influence on the revenue forecast is the real increase in taxes in the Budget.

These changes carry through into the projections for later years.

Moreover, the increase in expenditure over the levels projected a year ago is greater when expressed in cost terms than in cash or volume—mainly because the general price level is now lower than was expected a year ago (which has the effect of increasing the RPE).

Fiscal policy in any particular year will be operated so that the PSBR for that year will be consistent with declining monetary growth in the particular circumstances of the time.

Because the level of activity in the economy is below that assumed in last year's projections, the path for the PSBR shown in these projections is rather higher than that shown last year. By 1983-84 the PSBR is assumed to be about 2 per cent of GDP at market prices (compared with 1½ per cent assumed last year).

The PSBR path shown requires, on the assumptions made, a "fiscal adjustment." As in last year's projections, this implies that—given all the assumptions—on present tax rates and expenditure plans the PSBR ratio could be met with some margin to spare for fiscal relief.

However, the higher levels of public expenditure now projected inevitably mean that the margin is substantially smaller, and occurs later, than in last year's projections.

Moreover, it is also starting from a higher tax base, reflecting the real tax increases proposed for 1981-82. In broad terms the fiscal adjustment implied for the later years would do no more than offset the rise in the personal tax burden in the coming year.

The projections shown above fall within a very wide range of possible outcomes.

GROWTH OF MONETARY AGGREGATES

	M1	£M3	PSL1	PSL2
Percentage growth February 1980-February 1981	9	20	17	15

GENERAL GOVERNMENT EXPENDITURE

(£ billion)

	1979-80	1980-81	1981-82	1982-83	1983-84
General government expenditure at 1980 survey prices	77.9	79	79½	78	76½
At 1979-80 prices					
General government expenditure in cost terms	77.3	79½	79½	78	76
Special sale of assets	−1.0	−½	—	—	—
Shortfall, etc.	—	—	−¼	−½	−½
National Accounts Adjustment	2.9	2½	2	2	2
Interest payments	9.6	10	10	10	10
Total expenditure in national accounts terms	88.8	91½	91½	90	87½

GENERAL GOVERNMENT RECEIPTS

	1979-80	1980-81	1981-82	1982-83	1983-84
General Government Receipts at 1979-80 prices (*) (£ billion)					
Taxes on income, expenditure and capital	60.9	61	64	65	66
National insurance, etc.	12.0	12½	12½	13	13
Interest and other receipts	5.5	6	6	6	6
Total Receipts	78.4	79½	82½	84	85
of which:					
North Sea tax revenues (†)	2.3	3½	4½	4½	5½

* Converted to 1979-80 prices using the deflator for GDP at market prices.
† Royalties, Supplementary Petroleum Duty (from 1981-82), Petroleum Revenue Tax and Corporation Tax from North Sea oil and gas production (before Advance Corporation Tax set-off).

PUBLIC SECTOR BORROWING

1979-80 prices (£ billion)

	1979-80	1980-81	1981-82	1982-83	1983-84
Total general government expenditure	88.8	91½	91½	90	87½
Total general government receipts	−78.4	−79½	−82½	−84	−85
Implied fiscal adjustment	—	—	—	1	2
General Government Borrowing Requirement (GGBR)	10.4	12	9	7	4½
PSBR	9.9	11½	8	6½	4
(as percentage of GDP at market prices)	5.0	6	4½	3½	2

New form of stock relief

Industry tax cut £450m

THE CHANCELLOR put proposals for a new form of stock relief. A consultative document was issued last November, and representations were considered.

It is estimated that the new scheme will reduce industry's tax bill by some £450m in respect of profits earned in the present year 1981, tax on which will mostly be paid in the following financial year.

The new scheme will be of particular benefit to manufacturing industry and to smaller businesses. It will remove the threat of clawback of relief when a normal continuing business reduces its stock holding.

Background — Stock relief was conceived as a "temporary measure" in the Finance Act, 1975. Under the old scheme, tax relief was allowed on the increase in the book value of stocks held by a business and was reduced by a percentage of profits of the business (the "profit restriction"); and the relief was recovered by way of a tax charge if the book value of socks fell (the "clawback").

The old scheme served its original purpose. However, it continued (with modifications) in its present form for much longer than was originally foreseen; and its "clawback" provisions imposed a substantial tax burden on industry as it responded to the present economic circumstances by reducing stocks.

Under the new scheme relief will be given for the effects of price changes on the value of stocks held at the start of a business's period of account. By contrast with the old scheme relief will no longer be restricted by reference to the profits of the business. Relief will not be given for increases in stock volumes; and it will not be clawed back when a normal continuing business reduces its stock holding.

The new arrangements will apply (subject to certain transitional provisions) to periods of account ending on or after November 14, 1980.

Main changes from the consultative document — The following paragraphs set out the main changes from the proposals set out in the consultative document.

Credit restriction — The consultative document proposed that where stocks exceeded £1m relief should be restricted to take account of the extent to which stocks were financed by borrowings. The Government have considered carefully the representations on this aspect of their proposals. They remain of the view that there is a case in principle for a credit restriction, and the same principle, although not the particular formula, is embodied in the new accounting standard (SSAP 16).

They intend to publish in due course a Green Paper on future development of corporation tax, including possible further changes to take account of inflation, and treatment of borrowings will again be considered in the context of that wider review. Meanwhile, the Government have decided that in the present economic circumstances industry should be given the full benefit of the new relief without any credit restriction.

Clawback—The consultative document proposed that clawback should remain where a business ceases or where the value of its stocks falls below the amount of unrecovered past relief and there is a permanent reduction in the scale of operations of the business. This latter test was intended to identify the case where for all practical purposes the business ceases but trading continues at an artificially low level simply to avoid the clawback charge.

Following representations, the Government have decided to refine the rules for identifying such cases and the Finance Bill will propose that, apart from outright cessation, a clawback charge will arise only where the scale of the activities of the business becomes small in comparison with their scale for any period of account within the previous six years.

Transitional arrangements—The consultative document proposed that for periods of account ending on or straddling November 14 1980 there should, subject to certain provisions, be an option to claim relief under the old rules in respect of increases in stock values up to November 14, 1980. One of these provisions was that old scheme relief should be available only to the extent that the benefit of that option to the taxpayer exceeds 25 per cent of the relief available under the new rules.

Following representations the Government have decided to liberalise the rule further so that businesses will be able to opt for relief under the old rules in any cases where the benefit of that option to the taxpayer is at least 25 per cent of new scheme relief or £10,000, whichever is the less.

The 1980 Finance Act introduced provisions for the deferral of clawback charges to the following period of account—the "temporary dips" scheme.

Where clawback has been deferred this will often have been in the expectation that it would be set against old scheme relief in the subsequent period when stocks would be restored to their original level. Following representations, the Government have decided that, where clawback has been deferred to a period of account ending on or straddling November 14, 1980, old scheme relief should be available in respect of any increase in stock values over the whole of that period up to the amount of the deferred charge.

Details of the new scheme—Under the new scheme relief will be calculated on the basis of stocks and work in progress at the beginning of a period of account, except in the case of new businesses, for which (broadly) the average monthly stock level over the period will be used. Where actual monthly figures are not available, reasonable estimates will be acceptable;

Relief will be given by reference to percentage movements in a single index over the period of account. The index used will be a specially constructed index reflecting the average prices of stock and work in progress. Provisional figures will be published one month after the months to which they relate. Final figures will be available two months later. The detailed monthly figures for the years 1979 and 1980 will be published shortly;

To avoid complex calculations in small cases, the first £2,000 of stock held by a business will not qualify for relief. Notwithstanding this threshold, the new scheme will greatly increase the number of small businesses able to claim relief.

The present profit restriction will disappear.

There will be no clawback of relief when stock values fall, except in cases where a business ceases or the scale of its operations becomes small in comparison with the recent past. In such cases all unrecovered past relief claimed over the previous six years will be brought into charge.

The existing arrangements for partial claims, write-off of relief after six years, and "roll-over" of relief on certain successions will be incorporated in the new scheme.

There will be some technical changes in the definition of stock and work in progress; the existing practice on goods sold, subject to reservation of title, and the concessionary treatment applying to certain contracts containing vesting clauses will be embodied in the new legislation.

Apart from this, the present definition which ignores payments on account receivable and is thus to the benefit of industry will be retained, although it does not accord with the appropriate accounting standard.

Relief for periods of account ending on or after November 14, 1980, will be cancelled to the extent that it remains unused six years after the end of the period to which it relates.

The new scheme will apply to periods of account ending on or after November 14, 1980. There will be special transitional provisions for periods of account straddling or ending on that date.

Businesses will be able to claim relief under the old rules for such a period to the extent that the additional amount due exceeds £10,000 or 25 per cent of the relief available under the new scheme, whichever is the less, but for this purpose no account will be taken of any increase in the value of stock after November 14, 1980; and where, under the "temporary dips" scheme introduced in the 1980 Finance Act, a clawback charge has been deferred to the transitional period of account, businesses will be able to claim relief under the old rules without any restriction as above up to the amount of the deferred charge.

Examples showing the application of the new rules are given below.

Costs of the new scheme—On the latest economic forecasts published in the Financial Statement and Budget Report on Budget day, it is estimated that the benefit to industry of the new scheme will be some £450m in the first full year, that is, for accruals of tax in 1981. This includes the cost of the Chancellor's decision not to legislate for the credit restriction, estimated on the same basis at about £75m.

Only a part-year cost will fall in 1981-82, the cost to the Exchequer in that year being estimated at £180m. Similarly the Exchequer cost in 1982-83 is estimated at £400m. There will be further substantial costs in later years, but the amounts will depend on the level of inflation, company profits and other factors.

Clawback charges: revenue preference in a winding-up—It has been suggested that a clawback charge on a winding-up could qualify for Revenue preference to the detriment of other creditors, including the banks, who might as a result be unwilling to lend funds to finance new expansion or to support a company in a period of difficulty.

In practice it is unlikely that a clawback charge would qualify for preference and the clearing banks do not in general regard this a major factor in assessing loan applications.

THIS example illustrates how the new rules would compare with old for a company with:

a. a profit of £172,000,
b. an opening stock value of £280,000, and
c. a closing stock value of £320,000.

For illustrative purposes, a percentage increase of 10 per cent in the all-stocks price index has been assumed. Figures are rounded to the nearest £100.

(a) Old rules		
Profit		£172,000
Stock Relief		
Closing stock	£320,000	
Opening stock	280,000	
	£40,000	
Less: Profit restriction £172,000 × 15%	25,800	(14,200)
Trading income chargeable to corporation tax		£157,800
(b) New scheme		
Profit		£172,000
Stock Relief (Opening stock — £2,000) × index growth (280,000—2,000) × 10%		27,800
Trading income chargeable to corporation tax		£144,200

This example illustrates the operation of the transitional provisions in the case where a company would have found the old scheme relief more favourable. The company has the following:

a. a period of account from January 1, 1980 to December 31, 1980;
b. a trading profit after capital allowances for the period of £140,000;
c. an opening stock value (closing stock value of previous period) of £500,000;
d. a closing stock value of £585,000; and
e. a stock value at November 14, 1980, of £580,000.

The increase in the "all stocks" index for the year to December, 1980, was 9.3 per cent.

Computation			£
Trading profit (after capital allowances)			140,000
Stock relief is the greater of (a) or (b):			
(a) New Relief (Closing stock previous period — £2,000) × % increase in index = £ (500,000 — 2,000) × 9.3%		(£46,314)	
(b) Old Relief	£		
Closing stock value (limited to 14.11.80 value)	580,000		
Opening stock value	500,000		
Increase in stock value	80,000		
less profit restriction* £140,000 × 10.47/12 × 15%	18,322		
	61,678		
less 25 % 'new scheme relief' = 25% of £46,314 = £11,579—limited to	10,000	(£51,678)	
Therefore relief due on (b)			(51,678)
Trading income chargeable to CT			88,322

If a recoverable charge of £60,000 had been deferred to the period to 31.12.80 under Schedule 7 FA 1980, then a further calculation would be necessary to determine whether greater relief could be obtained than under (b). This would be—

	£
Closing stock value	585,000
Opening stock value	500,000
Increase	85,000
less profit restriction £140,000 × 15%	21,000
Old relief	64,000
limit relief to amount of deferred charge	60,000

* Relevant income for the year apportioned to the period from January 1 to November 14.

Development land tax burden eased

THE CHANCELLOR proposed three changes to development land tax:

● DLT will not have to be paid on developments which begin before April 1, 1983 if the development is for the owner's own use. The tax will be deferred until the property is sold or otherwise disposed of.

● Extensions will be exempt if the size of the building is not enlarged by more than one-third.

● Builders are to qualify for a special increase of 50 per cent of their acquisition costs in working out the tax chargeable at the start of a residential development.

Also under the present law, the enlargement of a building does not give rise to a charge to tax if the cubic content of the original buildings is not exceeded by more than one-tenth.

In residential developments, tax is payable on the difference between the market value of the land with the right to carry out development and base value.

Where this base value was previously calculated on acquisition cost of the land plus 15 per cent, this last figure is now to be increased to 50 per cent.

Statement on capital allowances

Increased aid for industrial building

AFTER the Chancellor sat down, the Inland Revenue issued the following statement.

In his Budget, the Chancellor proposes an increase in the rate of initial allowance for capital expenditure on industrial buildings. This notice gives details of this, and of some technical changes proposed to the rules governing allowances for industrial buildings, small workshops, qualifying hotels, and buildings in enterprise zones.

The rate of initial allowance which has applied to capital expenditure incurred on the construction of an industrial building since November 12, 1974, is 50 per cent. The Chancellor proposes that, for expenditure incurred after Budget Day, the rate should be increased to 75 per cent. The balance of any such expenditure would, as now, be written off at 4 per cent per annum on the straight line basis.

Details of the proposed changes below are in addition to the changes to the rules for balancing adjustments on the sale of an industrial building which were announced in a Parliamentary Question and Answer, and Press Notice, on December 17, 1980.

Both groups of proposals apply to small workshops, qualifying hotels, and buildings in enterprise zones, as well as industrial buildings, since the capital allowances available in all these cases are based on the industrial buildings allowance rules.

Where a person who has constructed an industrial building and qualified for capital allowances in respect of his expenditure subsequently sells it, a balancing adjustment is normally made. This increases or decreases the tax allowances given so that in total they equal the net cost of the building to him, ie, his expenditure less the sale proceeds.

The present rules do not, however, require a balancing adjustment where an industrial building is transferred from one person to another other than by a sale, eg, by way of a gift. If the transferee subsequently sells the building to a third party, any balancing adjustment then made only takes account of the allowances given to the transferee, and not of any allowances previously given to the transferor.

In the case of small workshops, which qualify for a 100 per cent initial allowance, a gift from husband to wife prior to a sale to a third party can thus result in the husband securing full tax relief on the cost of the building, and no tax being paid, by either husband or wife, on the sale proceeds.

Such an arrangement also prevents the purchaser from claiming tax relief on his expenditure, since the building has already been fully written off for tax purposes.

To cover arrangements of this kind, it is proposed that the balancing adjustments rules should be broadened so that a transfer of the relevant interest in an industrial building (the interest carrying entitlement to capital allowances) other than by way of sale should in future be an occasion on which a balancing adjustment is made.

The existing rules for sales at less than market value in schedule 7 Capital Allowances Act 1968 would then be applied. These would require the transfer to be treated as though it were a sale at open market value, but subject to the right of the transferor and transferee to make a joint election under paragraph 4 of schedule 7.

The effect of such an election is that the building is treated as having been transferred at its tax written down value, so that no immediate balancing adjustment arises; but on any subsequent sale by the transferee, the balancing adjustment would take account of the allowances previously given to the transferor.

It is also proposed to extend the scope of schedule 7 Capital Allowances Act, 1968, in two ways:

● At present paragraph 1 (1) (a) does not cover certain sales, in particular those between individuals. In consequence it would be possible for a husband and wife, for instance, to achieve much the same result as described above by a sale between them at a nominal value, rather than by a gift.

It is proposed, therefore, that the adjustments under schedule 7 should in future apply to any sale between connected persons. For this purpose, connected persons would be defined as in section 533 Income and Corporation Taxes Act, 1970.

● Paragraph 1 (1) (b) of schedule 7 requires a sale to be treated as if it had been made at market value if it was made at some other figure, and the sole or main benefit expected from it was the obtaining of a tax allowance or deduction. It is proposed that in future this rule should also apply where the sole or main benefit expected is the avoidance of a tax charge.

These technical changes would apply to transfers or sales made after March 10, 1981.

Treasury review of North Sea operations

Oil and gas revenue forecasts

THE TREASURY issued the following Financial Statement and Budget Report yesterday, after the Chancellor's speech. It contains forecasts of Government revenues from North Sea oil and gas over the period to 1983-84.

They show some marked differences from those published at this time last year and from the forecasts accompanying the Chancellor of the Exchequer's statement on November 24, last year. One reason for these differences is the change in the North Sea fiscal regime announced yesterday in the Budget statement.

The forecasts made at the time of the 1980 budget did not include the effects of this change although those made for 1981-82 last November did. The remaining differences are the result of changed assumptions on future production, capital expenditure, and the price of oil. Forecasts of these, and hence of government revenues, are subject to very wide margins of error.

Compared with the forecasts made at the time of the 1980 Budget, Government revenues from the North Sea in constant prices are expected to be higher in 1981-82 (though this is more than accounted for by the changes to the fiscal regime); and lower in 1982-83 and 1983-1984.

There have been downward revisions to forecast production and upward revisions to forecast levels of capital expenditure in tax-paying fields, which can be offset against tax. These are not fully offset by the assumption of a higher oil price.

Government forecasts of North Sea revenue for the medium term have tended to be below those published by other forecasters, which have tended to assume some combination of higher production; higher real price of oil; lower capital expenditure in fields liable to pay tax.

Composition of North Sea tax revenues

£ million current prices

	Royalties Budget 1980	Royalties Budget 1981	Supplementary petroleum duty Budget 1980	Supplementary petroleum duty Budget 1981	PTR Budget 1980	PTR Budget 1981	Corporation tax* Budget 1980	Corporation tax* Budget 1981	Total receipts Budget 1980	Total receipts Budget 1981
1980-81	1,090	940	—	—	2,560	2,420	550	480	4,200	3,840
1981-82	—	1,200	—	1,850	—	2,210	—	620	—	5,880

* Before any set-off in respect of ACT.

Oil production forecasts

(m tonnes)

Forecasts made in	1976	1977	1978	1979	1980	1981	1982	1983	1984
1975	17½	40	62½	85—95	100—130	125—160			
1976	15—20	35—45	55—70	75—95	95—115				
1977		40—45	60—70	80—95	90—110	100—120			
1978			55—65	80—95	90—110	100—120	105—125		
1979				70—80	85—105	95—115	115—140	115—140	
1980					80—85	85—105	90—120	95—130	95—135
1981						80—95	85—110	85—115	90—120
Outturn	12.2	38.3	54.0	77.9	80.5†	—	—	—	—

* Including natural gas liquids (NGLs) and onshore production.
† Provisional.

Total North Sea oil and gas revenues

(£m)

	CURRENT PRICES FSBR 1980	CURRENT PRICES Industry Act (Nov. 1980)	CURRENT PRICES FSBR 1981	CONSTANT (1979-80) PRICES FSBR 1980	CONSTANT (1979-80) PRICES Industry Act (Nov. 1980)	CONSTANT (1979-80) PRICES FSBR 1981
1980-81	4,200	4,100	3,840	3½	3½	3½
1981-82	—	—	5,880	4	3½-4½	4½
1982-83	—	—	—	5½	—	4½
1983-84	—	—	—	5½	—	5½

The figures include receipts from royalties, petroleum revenue tax and corporation tax, before advance corporation tax (ACT). In the Industry Act forecast of November 24, 1980, the figures included the effect for 1981-82 of changes to the fiscal regime to raise a further £1,000m (£750m at 1979-80 prices). The figures published in the 1981 FSBR are on the assumption that when the 18-month initial duration for the Supplementary Petroleum Duty expires the tax is either extended or replaced by a measure of similar yield. For 1981-82 and onwards, therefore, the columns are not directly comparable because they assume different fiscal regimes.

In the 1981 FSBR corporation tax receipts are measured before any set-off in respect of ACT; the 1980 Budget and Industry Act forecasts, as originally published, included CT receipts after setting-off ACT. The figures in this table have been adjusted so that the 1980 FSBR and Industry Act forecasts are now measured before any ACT set-off, to put them on a comparable basis with the 1981 FSBR forecasts.

None of these figures include non-recurrent payments on the grant of licences.

Oil revenue forecasts

Table 1 shows government revenues from the North Sea for 1980-81 and 1981-82 in current prices, and those for 1980-1981 to 1983-84 at constant 1979-80 prices. Table 2 shows the constituents of total Government revenues in current prices for 1980-81 and 1981-82. These tables compare the latest forecasts with what the Government was forecasting for its North Sea revenues at the time of the Budget last year, and in the Industry Act forecast published on November 24 last year. This note explains these changes, and in so doing illustrates the very wide margins of error to which such forecasts are subject.

Comparison with previous Government forecasts

When account is taken of a change in the treatment of advance corporation tax (ACT) (see footnote 2 of Table 1) government revenues from the North Sea in current prices in 1980-81 are now expected to be £360m less than was forecast at the time of the 1980 Budget, and £260m less than was forecast in November last year.

Government revenues from the North Sea at constant 1979-80 prices are the revenues at current prices with the effects of general inflation removed by use of the deflator for GDP at market prices. They therefore take full account of the effects of the tendency of the price of oil to rise faster than the general price level. Estimates at constant prices are the most suitable measures of changes in the Government's revenues from the North Sea in the medium term and the rest of the discussion concentrates on them.

Government revenues in 1980-81 at 1979-80 prices are now expected to be £½bn below the level forecast at the time of the *1980 Budget measured on a* comparable basis (on the same price basis and with the same treatment of ACT). There are greater differences in 1981-82 *and later years, but changes to* the fiscal regime prevent straightforward comparison.

The Supplementary Petroleum Duty and the changes to the PRT reliefs announced by the Chancellor in his Budget speech are expected to yield about £1bn in 1981-82 at current prices (This is equivalent to about £¾bn at constant 1979-80 prices.) The additional yield in later years is expected to be somewhat less. This is because the new tax is allowable against PRT and CT. As there is a lag between accruals and payment of CT, the introduction of the new tax does not reduce CT receipts until the later years of the forecast period. The new tax also delays the payment of PRT by some fields since some expenditure *reliefs which would* have been used against PRT in 1981-82 can be carried over to later periods.

Factors deciding revenues

After inclusion of the effects of the Budget measures the *forecast of total Government* revenues from the North Sea in 1981-82 is higher than that made at the time of the 1980 Budget. In the absence of the Budget changes, revenues for 1981-82 would have been lower than forecast last year. (Table 1 shows, however, that there has been an upward revision to the forecast of Government revenues in 1981-82 since the November 1980 Industry Act, which took into account the provisional proposals on the Supplementary Petroleum Duty.) There have been considerable downward revisions to Government revenues in 1982-83 and 1983-84, compared with what was being forecast at this time last year.

Government revenues from the North Sea are calculated for individual fields. As a result such calculations capture the effects on Government revenues of changes in the distribution of *aggregate production and* capital expenditure between fields. It is possible, however, to make some broad observations on the effects of changes in forecasts of oil prices and the totals of production and capital expenditure.

The price of oil

The price of North Sea oil reflects the price of comparable crudes in the world market. The calculations of North Sea revenues assume that for 1981 both the ($) price of oil and the sterling/dollar exchange rate remain at recent levels. Together these imply a higher sterling price of oil than assumed at the time of the 1980 Budget. For years after 1981 the real world ($) price of oil (the nominal ($) price adjusted for changes in the ($) price of exports of manufactures) is assumed to rise at a modest rate. The assumption made at the time of the 1980 Budget was that the real world price of oil would be constant at the then current rate of $30 per barrel.

Capital expenditure and other costs

The aggregate forecasts of production, operating costs, and capital expenditure are based on material supplied by the oil companies. The Department of Energy adjust this material to take account of certain factors, for instance a persistent tendency on the part of particular sources to over or underestimation. The Department also adjusts the companies' estimates in the light of independent information.

The level of operating costs and capital expenditure in those fields liable to pay tax over the forecast period are important determinants of the size of tax revenues because they are allowable against PRT and Corporation Tax. Hence increases in forecast operating costs and capital expenditure will, other things being equal, tend to reduce forecasts of Government revenues.

Since the 1980 Budget there have ben marked upward *revisions to forecasts of capital* expenditure in those fields liable to pay tax in the forecast period. These revisions account for part of the downward revisions to estimates of Government revenues from the North Sea. The changes to the PRT reliefs (uplift and safeguard) announced by the Chancellor in the Budget will improve incentives to control costs,* and should therefore substantially reduce the possibility of forecast Government revenues being further eroded by extra expenditure.

Recorded oil production in the North Sea has shown a persistent tendency to be below forecasts. Table 3 sets out successive forecast ranges of total oil production as published by the Department of Energy in the Brown Book (Development of the Oil and Gas Resources of the UK), and compares them with the outturn for years to 1980. Table 3 includes also the latest forecast ranges.**

The Brown Book has usually been published in April or May, but sometimes later. Comparison of the forecasts made for the current year with the outturn shows that 1979 and 1980 are the only years in which the outturn fell within the forecast range. Comparison of the forecasts of production for the subsequent year with the outturn (the forecast made in 1979 of production in 1980) *shows* that 1977 is the only year in which the outturn fell within the forecast range. Forecasts of *future production have therefore* ben subject to very wide margins of error, and in addition there has been a persistent tendency for eventual production to be lower than forecast.

Bad weather, delays in getting fields on stream (often because of complex geological problems), temporary breakdowns of equipment or pipelines, difficulties in working with the advanced technology necessary to exploit the North Sea and problems with oil field reservoirs once production has begun have all contributed to the tendency for production to be lower than originally forecast.

It is not possible to predict the exact extent and timing of the factors that have led production to be less than forecast. The latest forecast ranges for North Sea production given by the Secretary of State for Energy take account of the past tendency to overprediction, and are lower in all years than those made in the 1980 Brown Book. It is not possible to give a precise central estimate of production, but the Department of Energy believes that the distribution of probable outcomes is now such that a central estimate would be above the mid point of the range in each year. Therefore, for the calculation of Government revenues, production has been assumed to be somewhat above the centre of the published ranges.

Comparative forecasts

The Government's forecasts of North Sea tax revenues are generally below those published by other forecasting groups such as the London Business School, the National Institute, Phillips and Drew, and Wood MacKenzie, particularly in medium-term. Thus, in constant prices, the Government's forecasts of North Sea revenues in 1983-84 are about 45 per cent lower than the most recent estimates of the National Institute, almost 40 per cent below those of the London Business School and about 30 per cent below those of Phillips and Drew and Wood Mackenzie.

Comparison between forecasts can be made with reference to the same factors that explain the downward revisions to the Government's own forecasts of its North Sea revenues, namely the price of oil; the forecast level of aggregate production; and of aggregate capital expenditure in tax-paying fields.

This note has emphasised the considerable margin of error *around any forecast of the oil* prices. This is reflected in the diversity of view among other forecasters about the future course of the real world oil price. The London Business School and the National Institute assume an average annual rise of 10 per cent in the real world oil price, while Wood MacKenzie assumes no increase. One obvious difficulty is that in the past the real oil price has not risen smoothly, but in sudden lurches (as in 1973-74 and 1979-80) with periods of comparative stability or decline in between. The assumption underlying the Government's calculations of its revenues from the North Sea for the period to 1983-84, is for a rise in the real world *oil* price *between these extremes, but* towards the bottom of the range of assumptions by other forecasters.

Other forecasters tend to be optimistic about the future level of production. (The exception is the London Business School.) It is possible that they have not taken full account in deciding their present forecasts of the past tendency to over-estimate future production. Some other forecasters also tend to underestimate future operating costs compared to official forecasts. This will account for a small part of the difference in tax revenue forecasts.

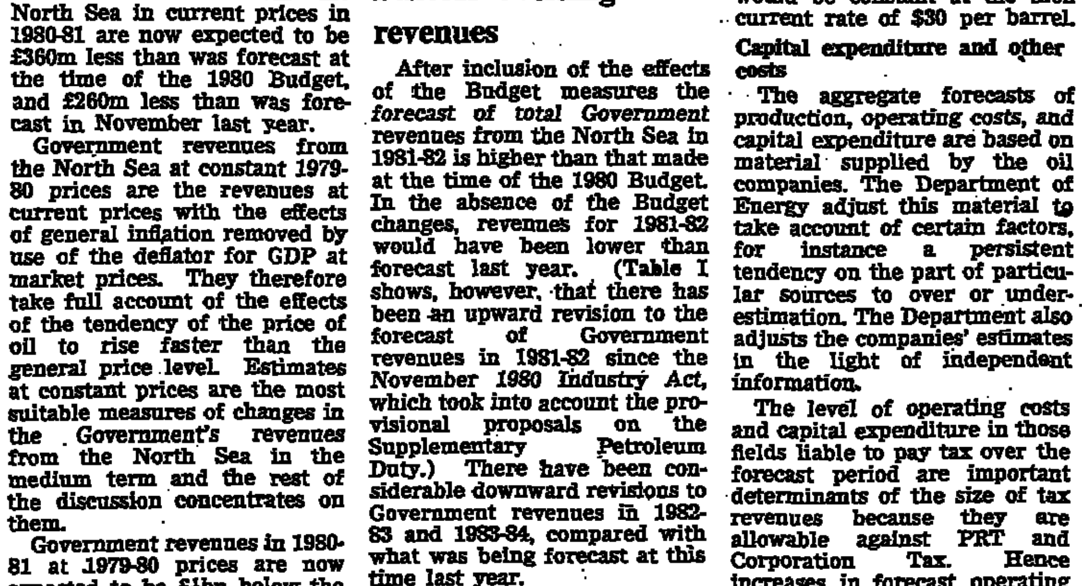
It is more difficult to compare forecasts of capital expenditure. Those forecasting groups that provide explicit forecasts, the *London Business School and* Wood MacKenzie, *show* conflicting trends. The London Business School forecasts a steadily rising volume of total capital expenditure in the North Sea; Wood MacKenzie a steadily falling volume. The Government forecasts assume a falling volume of expenditure, but at a slower pace than Wood MacKenzie. This will account for a further part of the difference between official revenue forecasts and those of Wood MacKenzie, since a higher level of capital expenditure in tax-paying fields will reduce tax revenues.

Government forecasts of North Sea revenues, at least in 1982-83 and 1983-84, are low compared to those of other forecasting bodies. This is because the Government has assumed a lower increase in the real world oil price than most other forecasters; its production forecasts are well below those of most other forecasters; it is likely that its forecasts of capital expenditure in the North Sea are higher than those of many other forecasters.

* *A Press release by the Inland Revenue describes the changes to the PRT reliefs.*

** *Given by the Secretary of State for Energy in answer to a Parliamentary Question on March 5, 1981, Hansard, March 5, cols. 153-154.*

POUND'S RISE SINCE TORIES ELECTED



1—June 1979 Budget (MLR raised from 12 to 14 per cent. 2—Nov. 1979 MLR raised from 14 to 17 per cent. 3—March 1980 Budget. 4—July 1980 Budget (MLR cut from 17 to 16 per cent). 5—Nov. 1980 half-year review of medium-term

Changes in taxation of benefits in kind

THE Inland Revenue issued the following statement after the Chancellor's speech.

The Chancellor announced various changes in the taxation of benefits in kind. The necessary legislation will be contained in the Finance Bill.

Car scales and petrol

The car scales for 1981-82 announced last year will be increased by about 20 per cent for 1982-83.

It is proposed to amend the law to ensure that tax is chargeable in all cases where petrol is provided by an employer to a higher-paid employee or director for his private use. The Inland Revenue will consult interested parties

Where the annual business mileage of a company car is below a specified figure, the benefit is chargeable at 1½ times the scale rate. This figure is being increased from 1,000 to 2,500 miles from April 6, 1981.

Season tickets and credit cards

With effect from 1982-83, the value of all season tickets provided for employees at the employers' expense will be chargeable to tax under Schedule E.

Medical insurance premiums

Since 1976-77 employees whose employers bear the cost of providing medical insurance cover for themselves or for their families have been treated as enjoying a taxable benefit in kind equal to the amount of the premiums. From 1982-83 this charge will be removed for all those earning at the rate of less than £8,500 per annum.

Inland Revenue details oil tax

How duty on North Sea production will operate

THE INLAND Revenue released further details of the proposed changes to oil taxation later yesterday. Its statement said:

In his Budget today, the Chancellor of the Exchequer proposed a Supplementary Petroleum Duty (SPD) on gross revenues from UK oil and gas production less an allowance. Legislation introducing the duty will have effect in the first instance from January 1 1981 to June 30 1982. The duty will be collected in monthly instalments and will be deductible in computing Petroleum Revenue Tax (PRT) and Corporation Tax profits.

There are also proposals to curtail the PRT uplift and safeguard reliefs. Uplifts—given instead of interest relief—will no longer be available once a participator in an oil field has recovered his development costs. Safeguard—which is intended to limit PRT paid by the least profitable fields—will be available only for a restricted period after these costs have been recovered.

The Finance Bill will also include some technical changes to PRT.

Further details of the various proposals are given below.

SPD

The charge

It is proposed that SPD will be charged at a rate of 20 per cent on gross revenues from oil and gas won under licence in the UK or the UK Continental Shelf, less an "allowance." The duty will be charged on a field-*by-field basis as for PRT and* will be charged on the same persons ("participators") as are liable to PRT.

The value of oil and gas chargeable to SPD will follow the values as determined for PRT. Where the Secretary of State for Energy takes oil or gas as royalty-in-kind, the gross revenues established for PRT purposes will be scaled-up to take account of royalty oil or gas deliveries.

The "allowance" for each half year SPD chargeable period will be equal to the value of 1m tonnes of oil (or the equivalent volume of gas) per field, or to field gross revenues for the period if less. Where there is more than one participator in a field, the oil allowance will be divided between them in accordance with their shares of oil or gas.

Gas

In general, revenues from gas production will be charged to SPD in the same way as revenues from oil. However it is proposed that gas supplied to the British Gas Corporation under contracts signed before the end of June 1975 which is exempt from PRT (S.10, Oil Taxation Act 1975) will also be exempt from SPD.

Participants in "gas banking schemes" can elect for the application of special PRT rules (S.108, Finance Act 1980). It is proposed that in such cases the special rules will also have effect for SPD.

SPD refund

Provision will be made for SPD to be repaid where a field ceases production before recovering its field costs. The refund will be linked to the existing PRT relief for "unrelievable field losses" (S.6, Oil Taxation Act 1975): where an unrelievable field loss is established (leaving out of account any PRT reliefs not related to field costs) SPD paid by each participator will be repaid up to the amount of his loss.

Payment provisions

In order to spread the collection of North Sea taxes more evenly over the year, the bulk of SPD will be paid in monthly instalments in advance except for the months (March and September) in which PRT receipts are concentrated. Assessments to SPD will be made three months after the end of each half-year chargeable period and the duty will be payable one month later. As with PRT, participators will be required to make a payment on account of SPD at the time they make their return two months after the end of each period. From the second SPD chargeable period (July 1 to December 31, 1981) participators will be required to make five monthly advance payments of SPD each equal to one-fifth of the SPD payment on account due for the previous chargeable period. Advance payments will be payable at the end of months three, four, five and six of the chargeable period, and one month after the end of the period. Advance payments will be credited against the payment on account due for the period, and any excess will be repaid.

Interest (at the same rates as for PRT) on overdue or overpaid SPD charged in an assessment will run from two months after the end of the relevant chargeable period. Interest on overdue advance payments of SPD will run from the date the payment falls due.

Consequential amendments to PRT and Corporation Tax

SPD for any chargeable period will be deductible in computing profits for PRT for the same chargeable period and profits for Corporation Tax for the accounting period in which the chargeable period ends.

Duration of the duty

The legislation will provide for the duty to be chargeable for the three chargeable periods from January 1, 1981, to June *30, 1982*. The Chancellor of the Exchequer will invite the industry to bring forward proposals in the coming months for the long-term structure of the North Sea fiscal regime. He will introduce permanent legislation in the Finance Bill 1982 in the light of the industry's response.

PRT uplift

It is proposed that the supplement ("uplift" of 35 per cent on qualifying expenditure will be restricted to expenditure incurred up to the end of the period in which a paticipator's cumulative incomings from a field first exceed his cumulative field outgoings. Incomings and outgoings will, broadly speaking, be the amounts taken into account in arriving at profits *and losses for PRT, including* allowable expenditure incurred up to the end of the cut-off period.

Qualifying expenditure incurred up to the end of this period will attract uplift, whenever it is allowed. Expenditure incurred after the cut-off period will not attract uplift. It is proposed that this cheange in the uplift rules will take effect from January 1, 1981.

Safeguard

It is proposed that the overriding limit for PRT (the "safeguard") will be retained for a restricted period following first production. This period will be half as long again as the time it takes a participator to recover his field development costs. The same definition of cost recovery will be used as for uplift. By way of illustration, if the first chargeable period to a field is the period to December 31, 1981, and a participator in the field recovers his costs in the six-month period to December 31, 1986, he will continue to benefit from safeguard up to December 31, 1989 (the 11 periods ending with that in which costs are recovered being rounded up to 12 for the purposes of applying the fraction of one half).

It is proposed that this change in the safeguard rules will apply from January 1, 1981.

It is proposed that eligibility for safeguard will be calculated on a chargeable period basis instead of, as at present, an annual basis. Safeguard will thus restrict PRT liability to 80 per cent of the amount by which the adjusted profit for the chargeable period exceeds 15 per cent of the accumulated capital expenditure at the end of that period.

MISCELLANEOUS

Contractor financing

North Sea contracts normally provide for regular "stage payments" by the purchaser in step with work done; contractor financed contracts, by contrast, provide for a single payment on completion, or for significantly smaller stage payments than usual. The Minister of State to the Treasury, Mr. Peter Rees QC MP, announced on July 1 1980 (Official Report Vol. 987 No. 204 Cols. 523-525) the Inland Revenue would investigate the PRT implications of these arrangements, in consultation with the industry, with a view to any necessary legislation being introduced in the Finance Bill 1981.

Consultations with the industry have taken place and it is proposed that legislation will be introduced under which uplift will no longer be available on expenditure incurred under contracts lasting longer than six months if the contracts provide for stage payments which are smaller or less frequent than a specified minimum standard. The legislation will apply to contracts entered into after the announcement on July 1 1980.

PRT "spreading election"

In response to representations from the industry the Chancellor of the Exchequer has authorised the Inland Revenue to have discussions with interested companies with a view to improving the effectiveness of the PRT "spreading election" (Sch. 3, paragraph 9, Oil Taxation Act 1975).

Inland Revenue estimates £400m yield

50 banks liable to special tax

AFTER THE Chancellor's speech, the Inland Revenue released further details of the proposed special tax on banking deposits.

Scope—The tax would apply to any person who was carrying on a banking busines on Budget get day and held on average in the UK more than £10m of non-interest-*bearing* sterling deposits in a base period (see below).

Non-interest bearing deposits consist mainly of credit balances on current accounts. On this basis, approximately 50 banking businesses would be liable to the tax. It is expected that these would include the clearing banks, a number of other British banks, the UK branches or subsidiaries of some foreign banks, some trustee savings banks and the National Girobank. Central Banks, including the Bank of England, would be exempt.

The tax base—The tax would be charged by reference to the excess over £10m of the non-interest bearing deposits mentioned above.

Rate of tax—The rate proposed is 2½ per cent, which it is estimated would yield about £400m.

Payment of tax—It is proposed that the tax should be payable as follows: One-half on October 1, 1981; one-quarter on December 1, 1981; one-quarter on February 1, 1982.

Interest—Any tax paid late would carry interest from the due and payable dates above, to *the date* of payment, at the usual rate, currently at 12 per cent.

Corporation tax—The tax not be deductible in computing profits for corporation tax purposes.

Non-interest bearing deposits—Deposits would be defined broadly in accordance with section 1 (4) and (6) of the Banking Act 1979. Interbank deposits would be included, except those falling within the paragraph below.

A deposit would be excluded if denominated in a currency other than sterling, held outside the UK, or made by a parent company, subsidiary, or fellow-subsidiary (Section 1 (5) (d) of the Banking Act); or by an overseas branch or the head office of the same concern.

Where a person with a loan or overdrawn account is entitled to have the interest payable in respect of it reduced on account of a non-interest bearing deposit he (or some other person) has made, the amount of the deposit would be treated as reduced (or extinguished) by the balance on the loan or overdrawn account.

Any deposit not carrying interest or a premium, whether repayable on sight or at notice, would be regarded as a non-interest bearing deposit. The allowance of notional interest in calculating charges would be disregarded for this purpose.

Transit items—On any day on which the amount of deposits is ascertained, there are a large number of cheques and other uncleared items in the course of transmission between banks hich lead to an oerstatement, or understatement, of the deposits held.

For example, a cheque which has been credited to the payee's account, but not yet debited to the payer's account, will lead to an overstatement; while a standing order debited to the payer's account, but not yet credited to the payee's account, but not yet *debited to the payer's account*, will lead to an overstatement; while a standing order debited to the payer's account, but not yet credited to the paye's, produces an understatemen.

Some of teh items in transmission do not relate to non-interest-bearing deposits, for instance cheques drawn on, or to be credited to, an overdrawn account. It is not practicable to *identify those which do.*

However, by convention, 60 per cent of transit items are normally regarded as relating *to non-interest-bearing deposits* (e.g. for statistical purposes). It is proposed, therefore, that the non-interest-bearing deposits held should be adjusted (up or down, depending on the circumstances) by 60 per cent of the total net transit items on the relevant dates in the base period.

The base period—The base period would be the last quarter of 1980. The non-interest-bearing deposits held then would be regarded as the average of such deposits held on October 15, November 19 and December 10, 1980.

These dates are proposed as the banks which make monthly statistical returns to the Bank of England will have reported by reference to those days, and should therefore have, for those dates, most of the necessary information already available.

Different dates may be accepted if a banking business has not prepared statistics for the dates above, but has prepared them on some other regular monthly basis.

Administration — The tax would be administered by the Board of Inland Revenue from Somerset House; and a collector of taxes in London nominated to receive payments.

Persons liable to the tax would be required to give notice of chargeability not later than September 1, 1981. Returns of non-interest-bearing deposits held in the base periods, and a calculation of the tax due, would be required not later than October 1, when the first payment of tax would be due, before the making of any assessment.

Assessments would, however, be made after returns had been received and examined, and the administrative arrangements would in general be similar to the provisions relating to income tax and corporation tax in the Taxes Management Act 1970.

Public expenditure White Paper

Shift in public spending planning from volume to cash limits

THE GOVERNMENT'S public expenditure White Paper, published yesterday sets out plans for the coming year 1981-82 and provisional figures for later years up to 1983-84. The main points from the White Paper are:

● The totals in 1980-81 and future years are higher than previously expected and higher than the Government would wish in the light of their financial and economic objectives. The Government regard this development as one which requires the most serious attention during the 1981 annual survey, when the plans for 1982-83 onwards will be reviewed.

● The recession and other factors have exerted upward pressure, for example on unemployment benefit and special employment measures. This pressuer has been only partially offset by the major reduction in the net contribution to the European Community budget and the substantial reductions which the Government have made in the majority of other programmes.

● The changes in programmes since the March 1980 White Paper have led to some shift in their relative sizes, and in particular to relative rises in social security and support for industry and employment.

● In future, the Government intend to give more weight to prospective cash costs in expenditure planning. For the first time in this annual series of White Papers, the cash limits and broad cash totals for 1981-82 are included.

The total of expenditure increased by almost 2 per cent in real terms between 1979-80 and 1980-81. The White Paper shows the volume in 1981-82 much the same as in 1980-81. Developments since the White Paper went to print mean that the total in 1981-82 will be about £320m higher in cash than in the White Paper. That is 3½ per cent higher in real terms than planned a year ago but still nearly 5 per cent lower than the previous Government's plans. After 1981-82 the total is planned to decline. The effects of the North Sea oil tax and the gas levy will add to public expenditure in 1981-82 and later years, but will not significantly affect the path.

● Cash survey: The Chancellor announced in his Budget Statement the Government's intention to make a major shift in the planning and control of public expenditure from volume to cash. This is a fundamental change in method in the annual public expenditure survey, which has hitherto been conducted in volume terms, that is, with programmes expressed in constant prices. In planning expenditure for 1982-83 the Government will from the outset conduct their examination and discussions in terms of the cash available. This will change the framework of decisions, and is seen as a major contribution to improving financial management, supporting the other efforts being made to increase cost consciousness and accountability throughout the public sector.

● Cash contingency reserve: An associated change is that in future the contingency reserve will be operated as a cash control. In 1981-82 and later years decisions to increase cash limits in respect of pay and prices as well as volume will be charged to the reserve. (Previously, only decisions which increased the volume of spending during the year have been so changed.)

The reserve in 1981-82 will be £2.5bn in cash. This is larger than shown in the White Paper, to reflect the broadening of control and other developments since the White Paper went to print, including the withdrawal of the plans for accelerated pit closures. This increase in the reserve will imply extra spending of no more than £200m; the broadening of control should exert downward pressure on the level of expenditure.

● Social Security: The Chancellor announced certain social security upratings, as follows:

1—Child benefit will be increased by 50p to £5.25 a week for each child from November 1981. The benefit for the first child of one-parent families will go up at the same time by 30p to £3.30 a week. These increases will fully restore the November 1980 value of these benefits.

2—Following the announcement by the Chancellor on November 24 1980, the uprating in November 1981 of state retirement pensions and most other benefits will correct the over-provision made last year. The increase in these benefits in November 1981 will accordingly be about 9 per cent, compared with the expectation of price increases of 10 per cent. Public service pensions will follow this pattern.

These upratings were fully allowed for in the White Paper totals. The Secretary of State for Social Services will give full details of the November 1981 upratings on March 11.

● Energy prices: The Chancellor announced action planned by the electricity supply and gas industries in response to the findings of the National Economic Development Council's Task Force on Energy Prices. The Government have agreed to the consequent increases in the industries' external financing limits for 1981-82: Electricity Supply Industry in England and Wales (outturn prices) £45m; British Gas Corporation (outturn prices) £73m.

These increases will add to public expenditure in 1981-82.

● Boiler conversion scheme: The Chancellor announced a scheme to provide grants to industry towards the capital cost incurred in converting from oil-fired boilers to coal. The Government will commit £50m to this scheme over the next two years: the expenditure will be charged to the contingency reserve.

● British National Oil Corporation: The Chancellor's announcement about the new North Sea oil tax, and changes in existing reliefs, will reduce the profits of BNOC. BNOC's external financing requirement for 1981-82 will be adjusted in consultation with the Corporation. This will add to the planned total of public expenditure in the White Paper, but not to the PSBR.

● British Gas Corporation: The BGS's external financing limit for 1981-82 will be adjusted to take account of the gas levy. This too will increase public expenditure but not the PSBR.

● Special sales of assets in 1980-81: When the White Paper went to press, sales of assets totalling some £325m (net, 1980 survey prices) were expected to be achieved in the current year. The sales of property owned by new towns are now expected to be greater, so that the net total is likely to exceed £375m.

● Expenditure in 1980-81 and 1981-82: The recession and thero factors have exerted upward pressure, for example on unemployment benefit and special employment measures. In 1980-81 an overspend is expected on the defence cash limit: a major reason is that defence equipment contracts have been progressing faster than expected. An overspend on local authorities' total current expenditure is also expected. The announced increases in the external financing limits of certain nationalised industries reflected trading conditions more adverse than expected; these increases were met from the contingency reserve, and so were within the planning total. On many other programmes spending in 1980-81 has been closer to plan than expected, so that the original provision for shortfall is now thought to have been overestimated. Partly for these reasons the forecast for shortfall in later years has also been reduced.

There have, however, been substantial reductions which go towards offsetting these upward pressures. First, there is the major reduction in the United Kingdom net contribution to the European Community. The special refunds are enabling public expenditure programmes generally in the UK to be maintained at higher levels than the country could otherwise have afforded. They are expected to amount to some £600m (cash) in 1980-81 and some £825m (cash) in 1981-82.

Second, as announced by the Chancellor of the Exchequer on November 24, 1980, cuts amounting to some £1½bn (cash) have been made in the majority of spending programmes in 1981-82, and these have been carried forward into the later years.

The ratio of the planning total plus debt interest to gross domestic product (GDP) was 41½% in 1979-80, but is expected to have been around 44½% in 1980-81, and to be a little higher in 1981-82.

● Cash figures: The cash figures for 1981-82 in the attached tables, and the cash limits, are markedly higher than the planned volumes on which they are based, since the latter are expressed in broadly the prices of late 1979 (formally 1980 survey prices). The cash figures include provision for inflation averaging 31% over the period of, on average, about two years between late 1979 and 1981-82. The provision varies between programmes reflecting different movements in cost.

Public service pay increases between late 1979 and late 1980 averaged 25-30% (because of the commitments inherited from the previous Government); price increases over the same period averaged about 19%. In addition, the cash figures include provision for an average increase in prices other than pay of 11% between the average levels of 1980-81 and 1981-82. For pay increases the provision included is for an increase in earnings of 6% in annual settlements due before August 1, 1981, and, provisionally, of the same amount for annual settlements due after that date.

● Changes to individual programmes since last year's White Paper (see tables attached): The largest single programme is social security, which rises to well over a quarter of the total by 1983-84. It rose by 3½% in 1980-81 and is planned to rise by a further 7% in 1981-82. The large increases in 1981-82 and the later years since the 1980 White Paper are principally due to the change in the unemployment assumption, from 1.8m in each year to 2.5m in 1981-82 and 2.7m in 1982-83 and 1983-84, excluding school-leavers, etc. (GB).

The other main area in which the Government have provided for an expansion is employment measures and industrial support. An increase of some £880m (cash) has been provided in 1981-82 for the continuation and expansion of special employment measures, notably the Youth Opportunity Programme, for increased take-up of the Temporary Short-Time Working Scheme, and for increased expenditure from the Redundancy Fund. £620m will be provided to BL in 1981-82 and £370m in 1982-83. £130m will be provided to Rolls Royce in 1981-82. Other increases include the increase of over £60m (cash) in 1981-82 (announced by the Chancellor of the Exchequer in November) in expenditure on industrial support.

Expenditure on health is being increased by some £100m (cash) in 1981-82 as a result of decisions not to proceed with some proposals for charges and after taking account of savings of some £35m through better use of resources. Corresponding increases and savings are being made in the later years.

● British Steel Corporation: The Secretary of State for Industry announced on February 24 the Government's decisions on the level of financing support for the BSC in 1980-81 and 1981-82. These confirmed the provision in the White Paper, of £1,120m in 1980-81 and £730m in 1981-82. The increase in provision in 1980-81 has been financed from the contingency reserve.

Changes in the plan

Summary of differences from the Government's Expenditure Plans 1980-81 to 1983-84

£ million at 1980 survey prices

	1979-80	1980-81 estimated	1981-82	1982-83	1983-84
Defence	+5	+130	−193	−190	−190
Overseas aid and other overseas services:					
Overseas aid	−6	−1	−7	−10	−10
EEC contributions	−83	−644	−747	−930	−1,140
Other overseas services	−31	+1	−3	—	—
Agriculture, fisheries, food and forestry	−15	+144	+12	+30	+20
Industry, energy, trade and employment	−334	+599	+1,276	+900	+490
Transport	−87	−53	−28	+30	−30
Housing	+162	+181	+6	+20	−70
Other environmental services	+21	−53	−75	−80	−80
Law, order and protective services	−49	−16	−49	−40	−40
Education and science, arts and libraries	−53	—	−151	−150	−150
Health and personal social services	−12	−87	+67	+70	+70
Social security	−166	+44	+884	+1,700	+1,400
Other public services	−29	−28	−6	−10	−20
Common services	+1	+6	+42	+30	+30
Scotland	−60	−12	−23	−30	−40
Wales	−28	—	+2	—	—
Northern Ireland	−25	+72	+62	+80	+90
Government lending to nationalised industries	−361	+1,194	+1,250	+590	+520
Adjustments					
Nationalised industries' net overseas and market borrowing	+371	−378	−172	−50	+50
Special sales of assets	+51	+175	−125	−75	−75
Contingency reserve	−93	−987	+250	+250	−300
General allowance for shortfall	+280	+1,120	+340	+340	+340
Planning total	−580	+1,425	+2,585	+2,400	+900
Debt interest—gross	+239	+820	+800	+1,000	+1,300
—net	+534	+790	+1,100	+1,300	+1,600
Nationalised industries' total net borrowing	+10	+815	+1,080	+550	+550

Planning total

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
	£bn, 1980 survey prices					
Jan. '79 White Paper		80.5	82.1	83.5	85.1	
Mar. '80 White Paper		78.4	77.8	76.9	75.4	75.2
Now planned	78.0	77.8	79.2	79.5	77.9	76.0
	£bn, cash					
Now planned		77	94	104		

Public expenditure 1975-76 to 1983-84

	£bn projected cash spend 1981-82	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81 estimated	1981-82	1982-83	1983-84
		£m at 1980 survey prices: Outturns						Plans		
Public expenditure programmes										
1. Central government (including Government finance for nationalised industries)	76.6	54,377	52,837	50,994	54,737	56,109	58,435	58,690	76,900	75,200
2. Local authorities	25.5	24,268	22,896	21,541	21,426	21,762	20,250	19,200		
3. Certain public corporations' capital expenditure	1.5	1,777	1,616	1,350	1,251	1,225	1,190	1,130		
Adjustments										
4. Nationalised industries' net overseas and market borrowing†	−0.7	861	1,853	1,187	537	−322	−500	−530	−400	−550
5. Special sales of assets (net)	−0.2	—	—	−697	—	−999	−325	−175	−125	−125
6. Contingency reserve	2.5	—	—	—	—	—	*193	1,650	2,000	2,000
7. General allowance for shortfall	−1.0	—	—	—	—	—	—	−500	−500	−500
8. Planning total	104	81,283	79,202	74,375	77,951	77,776	79,245	79,465	77,900	76,000
9. Percentage change on previous year	+11	+0.4	−2.6	−6.1	+4.8	−0.2	+1.9	+0.3	−2.0	−2.4
Memorandum items										
A. Debt interest—gross	13.7	8,466	9,495	9,391	9,767	10,439	10,320	10,400	10,300	10,100
—net (not included above)	6.1	1,694	2,185	2,476	2,353	3,834	4,290	4,600	4,600	4,600
B. Nationalised industries' total net borrowing (included in lines 1 and 4)	1.2	2,555	2,268	906	1,349	1,535	1,550	905	−50	−700

† Including Civil Aviation Authority.
* Balance remaining is expected to be fully spent by the end of the year.

Total public expenditure by programme

	£bn projected cash spend 1981-82	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81 estimated	1981-82	1982-83	1983-84
		£m at 1980 survey prices								
Defence	12.3	9,436	9,287	9,082	9,026	9,294	9,746	9,750	10,050	10,350
Overseas aid and other overseas services:										
Overseas aid	1.0	707	680	720	805	788	803	741	680	680
EEC contributions	0.5	16	281	632	774	826	380	392	390	390
Other overseas services	0.6	453	445	552	442	455	465	459	460	460
Agriculture, fisheries, food and forestry	1.3	2,369	1,433	1,133	971	1,010	1,150	1,005	980	920
Industry, energy, trade and employment	5.3	4,850	4,328	2,854	3,530	2,929	3,899	4,023	3,080	2,460
Transport	3.6	5,953	5,531	2,983	2,915	2,967	2,824	2,736	2,670	2,670
Housing	4.2	6,072	5,880	5,093	4,728	4,926	4,256	3,143	2,720	2,230
Other environmental services	4.0	3,729	3,425	3,308	3,351	3,210	3,084	2,978	2,880	2,860
Law, order and protective services	3.6	2,572	2,629	2,571	2,596	2,688	2,833	2,886	2,960	3,000
Education and science, arts and libraries	11.7	9,421	9,393	9,011	9,171	9,236	8,909	8,544	8,360	8,190
Health and personal social services	12.5	8,618	8,700	8,746	8,973	9,003	9,067	9,234	9,400	9,480
Social security	27.4	15,737	16,246	17,093	18,644	19,106	19,775	21,161	21,600	21,400
Other public services	1.3	1,023	954	919	914	931	941	973	930	920
Common services	1.5	1,068	1,108	1,079	1,068	1,103	1,106	1,183	1,180	1,230
Scotland	5.7	4,589	4,518	4,368	4,463	4,530	4,389	4,271	4,170	4,100
Wales	2.2	1,795	1,803	1,744	1,766	1,788	1,737	1,676	1,630	1,600
Northern Ireland	3.2	2,300	2,294	2,278	2,466	2,437	2,472	2,436*	2,410	2,410
Government lending to nationalised industries	1.9	1,694	415	−261	812	1,837	2,050	1,435	350	−150
Adjustments										
Nationalised industries' net overseas and market borrowing†	−0.7	861	1,853	1,187	537	−322	−500	−530	−400	−550
Special sales of assets	−0.2	—	—	−697	—	−999	−325	−175	−125	−125
Contingency reserve	2.5	—	—	—	—	—	183	1,650	2,000	2,000
General allowance for shortfall	−1.0	—	—	—	—	—	—	−500	−500	−500
Planning total	104	81,283	79,202	74,735	77,951	77,776	79,245	79,465	77,900	76,000

† Including Civil Aviation Authority.

Inland Revenue on insurers' pension business

Tax changes proposed for index-linked stock holders

AFTER THE Budget speech the Inland Revenue said:

The Chancellor of the Exchequer announced in his Budget Speech the issue of an index-linked Treasury stock. Insurance companies will be eligible to hold it, but only in connection with pension business.

This notice explains some proposed consequential changes to the corporation tax rules for insurance companies which acquire the new stock and whose long-term business includes, but does not wholly consist of, pension business.

The purpose of the proposed changes is to ensure that, in apportioning income and gains between pension and other long-term business, any income and gains from the new stock should be attributed wholly to pension business, and the apportionment of other income and gains adjusted accordingly.

"Pension business" refers to that part of a company's pension and annuity business in respect of which it is exempt from tax on income and capital gains under Section 314 (1) Income and Corporation Taxes Act 1970.

2 per cent Index-linked Treasury Stock 1966

The Prospectus for this stock is being issued by the Bank of England today.

The stock will carry interest at 2 per cent which will be indexed in accordance with movements of the Retail Prices Index over the life of the stock. The amount due on repayment of the principal in 1996 will similarly reflect the movement of the Retail Prices Index.

Companies authorised to carry on insurance business in the UK will be eligible to hold the stock on certain conditions, one of which is that (subject to minor exceptions) it is held against and applied solely towards meeting liabilities in respect of pension business.

Present corporation tax rules

Where an insurance company has a separate subsidiary company dealing exclusively with pension business, or has a legally separate and identifiable fund attributable only to such business, the income and gains of the company or fund are normally wholly exempts from corporation tax (Section 314 (1) of the Income and Corporation Taxes Act 1970).

Where, however, the assets relating to pension and other long-term business are not separated as above, it is necessary for the purposes of the pension business exemption under Section 314 (1) to apportion the company's income and capital gains between, on the one hand, the pension business, and, on the other hand, the general annuity and life business.

Under Section 323 (3), such a division is normally made by reference to the company's liabilities which are referable to the different classes of business.

Treatment of income and gains from the new stock under the present rules

In the case of companies with in paragraph 4 above, the operation of the existing rules will already ensure that income and gains arising from holdings of the new stock are attributed wholly to pension business and are therefore exempt from tax.

However, if a company with a mixed business acquires the new stock, the effect of the present rules will be to apportion part of the income and any gains to business other than pension business.

The purpose of the proposed new rule is to ensure that such income and gains are in these circumstances apportioned wholly to pension business, and that the attribution of the new stock wholly to pension business is taken into account in apportioning other income and gains.

Proposed new rules

For these mixed business companies, two changes to the present apportionment rules are proposed:—

First, for the purposes of the pension business exemption in Section 314 (1), income, gains or losses arising from the new stock would be attributed wholly to pension business.

Secondly, the apportionment of other investment income, gains or losses for the purposes of Section 314 (1) would be made on the basis that the liabilities of the pension business, and the company's total long-term business liabilities, were reduced on account of the new stock.

The reduction would be such proportion of the market value of the new stock at the end of the accounting period in question as the total liabilities referable to pension business and other long-term business bear to the total market value of the investments and deposits relating to those classes of business.

Inland Revenue details of CTT changes

Lifetime transfers face increased tax after £110,000

After the Chancellor sat down the Inland Revenue gave details of the proposed changes in Capital Transfers Tax.

Rate of tax on transfers during life

A new rate schedule will apply to transfers of value made during life (other than within three years of death). The present rates, which are half of the death rates, will apply as at present up to £110,000. Thereafter this new scale will rise to a level of two thirds of the death rates, the new maximum rate being 50 per cent, chargeable on lifetime transfers whose cumulative total is more than £2,010,000. The new rates will apply to transfers made on or after Budget Day.

Calculation of cumulative total

At present the rate of tax on any transfer of value made either during life or on death is governed by the cumulative total of transfers whenever made. This rule is to be changed, restricting cumulation to transfers made within a period of 10 years before the transfer in question.

Annual exemption for lifetime transfers

The amount of lifetime gifts per donor which is exempt from tax in any one income tax year isl to be increased from £2,000 to £3,000. The small gifts, exemption of £250 will continue, but it will not be available to cover the first slice of a larger gift. These changes take effect from April 6.

Payment by interest-free instalments

Tax on certain transfers can be paid by interest-free instalments. A ceiling of £250,000 is at present placed on the total value of transfers made by the same transferor which can qualify for this facility. This limit is to be removed.

For payments by interest-free instalments on land or other property qualifying for agricultural relief, see the separate notice.

Loans

With effect from April 6 the provisions in Section 115 and 116 Finance Act 1976 are to be repealed. These provisions impose a charge when an individual allows another person the use of any property and the use may be terminated at any time at the discretion of the vendor.

Related property

The general rule is that the value of any property in a person's estate is arrived at by taking into account any "related property." Among the classes of property which are treated as related for this purpose is property included in a discretionary trust made by the transferor or his spouse before March 27 1974. As from Budget Day, the rule will no longer apply in this particular case.

Capital Transfer Tax

Agricultural relief

The Chancellor of the Exchequer proposes in his Budget to extend the present system of relief for agricultural property to let land. This notice describes this and the other main changes to be made in the relief for agricultural property.

Let agricultural land

At present relief is available on transfers of agricultural property made by working farmers. The relief is given by reducing the agricultural value of the land in question by 50 per cent. Under the Chancellor's proposals transfers of agricultural land which is let will also qualify for relief. In this case the reduction in the agricultural value is to be 20 per cent. As with the existing relief the 20 per cent reduction in value will also apply to certain transfers of shares in companies owning let agricultural land.

Present Band £000	Rate %
0-50	Nil
50-60	15
60-70	17½
70-90	20
90-110	22½
110-130	27½
130-160	35
160-210	42½
210-260	50
260-310	55
310-510	60
510-1010	65
1010-2010	70
over 2010	75

Proposed Band £000	Rate %
0-50	Nil
50-60	15
60-70	17½
70-90	20
90-110	22½
110-130	25
130-160	30
160-510	35
510-1010	40
1010-2010	45
over 2010	50

Land qualifying for 50 per cent relief but valued on a tenanted basis

Under the present law relief is sometimes available at 50 per cent on transfers of let land, which in turn is valued for the purposes of the tax at its tenanted, rather than its vacant possession value. This can occur when for example a farmer lets agricultural land to a partnership of which he himself is a member or where the farmer is retired. For the future when land is valued on a tenanted basis the rate of relief will be 20 per cent.

As a transitional measure where such arrangements had been made before Budget Day, relief will be allowed as at present on the first transfer of land after Budget Day.

Charge on the grant of a lease

In certain circumstances a charge to Capital Transfer Tax may arise on the grant of a lease of agricultural land at a full market rent. Provision is to be made ensuring no charge arises in these circumstances.

Interest-free instalments

Tax on all property which qualifies for agricultural relief at either rate may in future be paid by interest-free instalments. (At present the tax on let land may be paid by instalments, but these instalments bear interest broadly from the date the first of them was due.)

In addition the £250,000 limit on this facility is to be removed (see separate notice).

Discretionary trusts: general

The Chancellor indicated in his Budget that draft clauses for the discretionary trust regime, to be introduced after the end of the period of transitional relief, would be drawn up as a basis for discussion and comment, and the substantive provisions would be included in next year's Finance Bill. To facilitate this there will be a further (and final) deferment of the commencement of the periodic charge, and extension of the transitional period. The new rate scale for lifetime gifts, and the introduction of 10-year cumulation which will be included in this year's Finance Bill, will form an integral part of the new regime for trusts.

The proposals to be included in this year's Finance Bill are as follows:

Deferment of commencement of periodic charge and extension of transitional relief

It is proposed to defer the starting date for the periodic charge on discretionary trusts from April 1, 1982, to April 1, 1983, and to extend the transitional relief from CTT for distributions from discretionary trusts, at the current percentage of 20 per cent of the full rates, for a final year to March 31, 1983. In addition, distributions made with the leave of the Court before March 31, 1984, which could not have been made without that leave will continue to be charged at the reduced transitional rates.

Annual and marriage gifts exemptions

Provision is to be made for the exemption for gifts made in any one year—which is to be increased from £2,000 to £3,000—and for gifts in consideration of marriage to be made available for terminations of interests in possession in settled property, with effect from April 6.

Successive charges relief

When property is subject to CTT more than once within four years there are at present two separate reliefs which may apply to reduce the amount payable on the second occasion. One relief (Paragraph 5, Schedule 5, Finance Act 1975) applies only to settled property; the other (Section 30, Finance Act 1975) applies more generally. It is proposed to amalgamate the two reliefs on the lines of the Section 30 relief—for example the combined relief will operate by way of a credit against the tax payable on the second occasion of charge. The combined relief will be available over five years, not four as at present; the relief will start at 100 per cent in the first year, and decrease by 20 per cent in each of the succeeding four years. It will apply where the second occasion of charge was on or after March 10.

Trusts for the disabled

It is proposed to recast the exemption from CTT for trusts set up for a mentally or physically disabled person (Paragraph 19, Schedule 5, Finance Act 1975). At present trusts of this kind which meet certain qualifying conditions are specifically exempted from the periodic charges on discretionary trusts, and distributions of capital to the disabled person are also exempt. The recast relief will operate by deeming the disabled person to have an interest in possession in the trust property. This will mean the relief extends—as it does not at present—to appointments out of the trust property to the disabled person. The conditions necessary for the exemption to apply are to be clarified (but in no way restricted). The recasting will at the same time prevent misuse of the provisions.

BANK PROFITS

The clearers are not amused

"IT'S a necessity, built out of political expediency," commented one clearing banker last night. Like others I spoke to he was not pleased with the Chancellor's imposition of a windfall profits tax, but he was also resigned. "I don't know what we have to do to get those b . . . in Whitehall to understand that ours is a cyclical business," he added.

The Chancellor's decision to go ahead with the tax cannot have come as a surprise to the clearers, or anyone who reads the Financial Times. It has been mooted by some ministers and Treasury officials for several months. Just before Christmas the matter was more or less laid on the table, when the Treasury sought to get the banks to accept a back-door tax through a reduction in the subsidy they receive for certain Export Credits Guarantee Department lending.

The windfall profits tax takes the form of a once-for-all levy. It will be calculated on the basis on the banks' non-interest bearing sterling deposits (ie current account balances) in excess of £10m, averaged over the final three months of 1980. The rate of tax will be 2½ per cent. It will not be deductible for corporation tax, and will not in any way affect the taxable profits and therefore the leasing capacity of the banks.

As Sir Geoffrey pointed out, the motivation for the special tax arises from the much increased level of clearing bank profits in the past years. "A substantial part of these profits is the direct consequence of high interest rates in the last two years: this applies to the so-called 'endowment effect' on current accounts on which no interest is paid.

The effect of high interest rates was most marked in the clearers' 1979 results, when UK profits were shown to have soared by between 70 and 90 per cent, largely as a result of the higher interest rates. The banks were able to reap this benefit because of the way in which the operate their current accounts for individuals. Credit balances on current accounts receive no interest (beyond a notional allowance in respect of cancelled bank charges) while debit balances suffer interest at rates generally ranging from 3 to 5 per cent over bank base rate.

The clearers make the point that they can hardly be blamed for running their business in such a way that profits are maximised. On the other hand, it is also true that bank customers cannot gain access to the principal money transmission system in the country without having current accounts.

Furthermore, many critics of the clearers argue that the present set-up in the UK amounts to a form of oligopoly — with a small number of institutions offering virtually the same personal banking services, and not always seeming to compete too much with each other.

This line of thinking leads to suggestions that the present set-up in UK retail banking does not encourage efficiency. The critics believe there is much evidence of this, and point to the fact that the banks have left almost half the UK adult population unbanked — a unique situation in the developed world — while their own staff have become relatively highly paid and not so obviously interested in customer service as might be appropriate. The highly restricted bank opening hours are often cited as an example of this.

More recently, as bank profits benefited from high interest rates, the banks have been increasing the total reward package to staff by as much as 30 per cent in 1980. On top of this, three of the clearers have already announced dividend increases for the current year of 20 per cent.

Against this background, the clearers claim that they could not afford a special tax of any amount have not always seemed too credible in certain Whitehal circles.

The Chancellor may also have been influenced by the fact that although the banks have been earning good profits in the UK in recent years, they have been paying relatively little mainstream corporation tax. This is because they have been able to use the financial device of leasing as a mechanism to gain access to the 100 per cent capital allowances available to industry for purchases of plant and equipment. The system works because under a lease the bank becomes the owner of the asset being financed.

As a result of a truly exceptional boom in leasing business over the past five years, the big four London clearing banks alone have managed to defer corporation tax bills in the region of £2bn to £2½bn. Mr. Tom Clark, former chairman of the Equipment Leasing Association, does not anticipate that any significant portion of his liability will actually become payable before the second part of the 1980s.

While tax-based leasing has undoubtedly been a boo mfor the clearing banks, it must also be said that it has facilitated a great deal of investment in plant and machinery which would probably not have taken place otherwise. It should also be said that leasing has reduced costs of borrowing to many companies.

Despite the skilfull campaign against the tax which has been run by the clearers over the past few months such an imposition is not entirely unprecedented. Back in the 1960s, for example, the banks were denied interest on special deposits with the Bank of England because they had exceeded Government leanding limits. On another occasion

	£m	£m
National Westminster	98	
Barclays	93	
Midland	68	
Lloyds	62	
Williams & Glyn's	9	
Coutts (NatWest sub.)	3	
		333
Royal Bk. of Scotland		
Bank of Scotland		
Clydesdale (Midland sub.)		30
		363

in the same period the banks were paid interest at a reduced rate of certain deposits because it was not thought justifiable that they should benefit as a direct result of a Government measure.

The burden of the new tax was not entirely clear last night, as far as each bank was concerned. But the best-informed estimates come up with the following figures:

The net catches many other banks besides these. Even the Trustee Savings Banks estimate that they will have to contribute £15m. "This is very rough justice," commented Tom Bryans, chief general manager of the TSB Central Board.

The clearers' official reaction was expressed through Sir Jeremy Morse, the Lloyds chairman, who heads the Committee of London Clearing Bankers: "We are very disappointed at the Chancellor's proposal for a large tax on bank profits. This is quite unjustified by the banks' profit record. It is also highly damaging at a time when industry desperately needs the support of strong banks. We shall be doing all we can to persuade the Government to change

He added: "The proposal could also be damaging to overseas confidence in London's position as a financial centre, because what one government does other may be tempted to copy.

Michael Lafferty

PUBLIC SPENDING

Wishful thinking about cuts is averted

"THE HIGH level of public spending we as a nation have chosen to support" was one of the two justifications given by the Chancellor for his swingeing tax increases.

Many Conservatives will no doubt be surprised to learn that this is the choice they made as voters. But the need to re-establish the credibility of his financial strategy, coupled with the strength of opposition in the Cabinet to socially painful or politically troublesome cuts in public spending, have prevented the Chancellor basing his Budget arithmetic this year on wishful thinking about the feasibility of big public spending cuts.

The best the Chancellor has been prepared to assume is that public spending will rise no further (in volume terms) after the 1.9 per cent growth which occurred this year. The medium-term plans laid out by the Chancellor in last year's Budget assumed that volume would fall by 0.6 per cent in 1980-81 and by a further 1.2 per cent in 1981-82. Thus, the new targets represent aan upward revision of 3.7 per cent, in relation to what was planned a year ago.

There are no further specific reductions in spending proposed, although substantial savings (£1.60bn in 1980 survey prices) which would affect the coming finacial year were, of course, announced in last November's mini-Budget.

Looking further ahead, however, the Chancellor still seems to be indulging in a certain amount of wishful thinking. The 4 per cent reduction in total spending which he anticipates in 1982-83 and 1983-84 is not reflected in any announcements which are likely to lead to its achievement. As in last year's public spending White Paper, large numbers of policy areas are bracketed together in the tables, indicating that the policies required to deliver the numbers have yet to be decided.

The decision to start planning public expenditure in cash rather than volume terms also has to be taken with a pinch of salt. In his Budget speech, the Chancellor made the fair point that big increases in public sector pay have been one of the principal factors behind the unexpected growth of public spending.

He hopes that, by planning public spending for 1982-83 and future years "in terms of the cash which will be available for that year," he will be able "to change the whole framework and spirit within which decisions are taken." Departments will have to form a view of the cost of their procurement and of their wage bills and then stick to it.

In practice, it is questionable whether this new system will be very different from the annual cash limit regime which now operates.

In particular, it will be no substitute for a tough policy in public sector pay if the Government wishes to avoid public spending creeping up as a result fo the rising costs as well as the rising volumes.

The nationalised industries are singled out for special blame for the disappointments in public expenditure control. Four—British Steel, British Shipbuilders, British Rail and British Telecom—this year substantially exceeded the cash limits set in the last Budget. The total over-run by the nationalised industries in 1980-81 was £825m. However, £671m of this very big figure is attributable to British Steel alone.

The cash limits for borrowing by the nationalised industries, most of which were announced in last November's mini-Budget, assume a reduction in total external financing to £2.39bn in 1981-82, from the £2.89bn outturn which is now estimated for this year. This reduction in borrowing, if it is achieved, will leave the nationalised industries' total demands for external financing about £1bn higher in 1981-82 than had been planned when the medium-term financial strategy was announced last March.

The longer-range forecasts, however, still assume a substantial turnaround in the industries' financial position by 1983-84. In the next three years, they are expected to reduce their demand for external funds by £2.5bn in 1980 survey prices.

The absence of any moves to change the system of nationalised industry investment financing, either by splitting Public Sector Borrowing into capital and current items or by allowing certain nationalised industries to issue new types of funding instruments directly to private investors, will be a disappointment to nationalised industry chairmen and to the CBI. It also makes it difficult to see how the large turnaround in nationalised industry borrowing from the Government is to be achieved without an unexpected economic boom towards the end of the planning period.

Anatole Kaletsky

STOCK RELIEF

Single 'all-stock' index

THE CHANCELLOR has been markedly more generous in his introduction of a permanent system of stock relief than was proposed in Inland Revenue's consultative document of November.

The key change is that the new system will not limit the extent of relief through a "credit restriction" which the Revenue suggested should have come into effect in the second year of operation.

So the new system will be based purely on a single "all-stocks" index, which will establish the change in price levels. As expected, the spectre of claw-back of past relief that has been hanging over many companies has been abolished.

The consultative document argued that the relief should be limited by the extent to which a company's operations were financed by debt. This proposal was heavily criticised in the responses to the document.

So the Chancellor has decided to withdraw it for the time being, and it will be looked at again in the context of the Green Paper on corporation tax, which seems unlikely to be produced until the middle of 1982 at the earliest.

Stock relief is a rough and ready way of adjusting taxable profits for the effects of inflation. A "temporary" system of relief was originally introduced in 1975, to ease the cash crisis that industry was then facing. It is no coincidence that the introduction of the permanent system has come when companies are facing similar problems.

Under this formula, relief has been given on the basis of the change in value between opening and closing stocks, less a percentage of profits (most recently 10 per cent).

Under this formula, if a company's profits were £10m, relief would be reduced by £1m (at 10 per cent). If stocks had risen by £5m (from £50m to £55m, say) this would leave £4m of stock relief, bringing taxable profits down to £6m.

The system has proved unsatisfactory for three main reasons:

● First, the amount of stock relief has been governed by a mixture of volume and value. Many companies have taken advantage of the system by manipulating their level of stocks at the year end.

● Secondly, retailers were able to benefit heavily from the system, even though their stocks are often bought on credit and therefore their profits were not eroded by the effect of inflation on working capital.

● Finally, in the current recession, with companies forced to cut back whole operations, stocks have been falling sharply and many companies had been facing the prospect of substantial clawback of past relief obtained.

The only other way the Government could have got round this problem would be through the faintly ludicrous route of extending last year's "dips" legislation, which delays for a year clawback coming into effect.

The replacement system operates by taking the value of a company's stocks at the beginning of the year and applying a single index to it. The system goes into effect as of November 14. So, assuming an index figure of 10 per cent, a company with £50m opening stock will obtain £5m of relief in the first year.

This part of the system has come under attack from two main quarters. It has been argued that the stocks index chosen comes out with low and unrealistic figures. Some companies expect the index to show an increase of only 5 per cent by mid-summer.

At the same time, the accounting bodies feel that a single index is a step back from producing a genuine adjustment for inflation, as it ignores the multi-indices approach of the current cost accounting standard—SSAP 16.

The Revenue stood firm here. It dislikes the idea of using SSAP 16 for tax purposes, since it feels the result is not easily checkable and too subjective.

The so-called "credit restriction," to come into effect in the second year for companies with stocks of more than £1m, came in for even greater criticism.

Under the original proposal, the amount of relief would be reduced by a gearing adjustment based on debt and trade credit as a proportion of total assets. The underlying aim was to limit the advantage retailers could take off the new system.

Paradoxically, however, research by companies and stockbrokers into the likely effect of this showed that retailers were not hit too badly. According to Phillips and Drew, in fact, retailers might well have been gainers, since their profits are often high in relation to their stocks, so that profits offset under the old system was relatively high. At the same time retailers tend to have lower balance sheet gearing, even including trade credit.

Meanwhile, manufacturers might have been losers, since their profits offset was lower under the old system and many have high gearing. Several manufacturing companies have confirmed this analysis, with Associated Engineering saying in its latest annual report that it would be worse off under the arrangements.

The estimates of the true costs of relief in terms of Corporation Tax forgone are in practice rather unreliable, because of the complexity of the operation of stock relief. The main benefit in the current year is the elimination of claw-back, which might have otherwise cost the corporate sector £300m in the 1980-81 financial year.

Elimination of clawback also represents the bulk of the total £450m benefit the Government estimates the introduction of the new system will bring to industry, with the elimination of the "credit restriction" worth some £75m of this.

Other changes in the measures from the original proposals will have only a minor impact.

David Freud

NORTH SEA OIL TAX

A 'threat' to further development

THE EXTRA £1bn in revenue to be creamed off North Sea oil operations during 1981-82 brought the expected squeals of protest from the offshore industry last night.

The UK Offshore Operators Association warned that the resultant loss of revenue to the industry would hit the pace of both exploration and development projects.

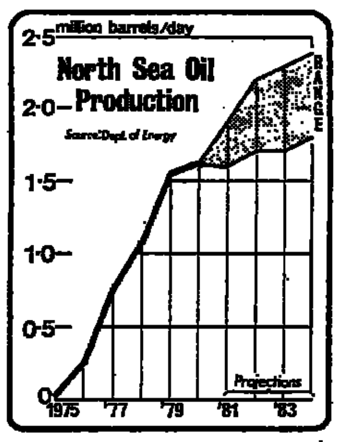
And yet there was some relief that, after considerable industry pressure, the Government has decided not to make its new fourth tax—the Supplementary Petroleum Duty — a permanent fixture . . . at least for the time being. It will be operable for 18 month to June 30, 1982, by which time the Government hopes to have had further discussions with the industry over long-term tax measures. Companies have complained that the multi-tiered tax structure, as now proposed, is too cumbersome but, as yet, they have been unable to offer an acceptable alternative.

"We are glad that the new tax has been introduced for only 18 months although we regret that the Government sees fit to increase the tax burden on us yet again," commented Mr. George Williams, director general of the Offshore Operators Association.

North Sea oil and gas revenues are expected to rise from £3.84bn in 1980-81 to around £5.88bn in 1981-82. The 1981-82 total should comprise £1.2bn in royalties, £1.85bn in Supplementary Petroleum Duty, £2.21bn in Petroleum Revenue Tax and £620m in Corporation Tax.

Many in the oil industry see the new tax as a form of royalty. The duty is to be imposed at a rate of 20 per cent of oil and gas revenues, subject to certain allowances. The tax will take effect after the production of the first 1m tonnes (20,000 b/d) of oil a year from each field. Gas sold to British Gas Coroporation under pre-1975 deals will also be excluded.

The main effect of the Supplementary Petroleum Duty will be to bring forward the industry's tax payments for the duty will be deductible for PRT and Corporation Tax. As such it will hit hardest those companies with interests in fields just about to pay PRT — Thistle and Ninian, for instance. Existing payers of PRT — in particular British Petroleum in the Forties Field —should be less badly affected.



Thes new tax will be payable on a monthly basis. This will benefit the Government's money management but will hit the industry's cash flow.

As structured the supplementary duty would have had a rapidly decreasing influence on North Sea revenues in future years because of the industry's associated reduced liability to PRT and Corporation Tax. On Monday, stockbrokers Hoare Govett estimated that the duty would have added only £150m to Government revenues in 1983. This decreasing influence may have led the Chancellor to call a halt to the supplementary duty after 18 months.

Changes in Petroleum Revenue Tax—those already made in previous budgets and those proposed yesterday—are likely to have a much more lasting effect on the oil industry's contribution to Government revenues.

The Chancellor yesterday tinkered with reliefs to raise additional revenue and to make PRT conditions more onerous on the industry. For example, an "uplift" allowance of 35 per cent on top of field development costs can now be set against PRT. In future this uplift will be restricted to expenditure incurred up to the time the field's operators begin to make a profit.

Another, significant PRT change concerns the safeguard provisions. At present where profits are less than 30 per cent of capital investment companies are protected against PRT payments. Above this level the PRT change may not exceed 80 per cent of the excess of profits over the 30 per cent return. The Chancellor has proposed that these safeguard provisions will in future be restricted to a period half as long again as the time it takes for companies to recover their development costs.

As the Chancellor pointed out, the extra tax burden should be viewed in the light of changes in the perceived North Sea production profile and the value of crude oil.

Oil is being produced more slowly than the industry—and Government — had expected. Delays in field development projects, accidents, bad weather and unforeseen reservoir problems combined to keep UK output doown to about 1.6m barrels a day (80m tonnes annually) in 1980 as against nearer the 2m b/d expected a few years ago.

The Energy Department has just produced new estimates to show that this year UK production will be in the range of 1.6m to 1.9m b/d as against its forecast, made two years ago, that 1980 output would be between 1.9m and 2.3m b/d. The reduction has cut the amount of tax the Government could have expected under the existing fiscal system.

As a result Government revenues from the North Sea in 1980-81 (at current prices) are now expected to be £3.84bn, some £360m less than was forecast at the time of the 1980 Budget and £260m less than was forecast in November last year.

On the other hand, oil prices have risen far more sharply than expected. At the end of 1979 Forties Field "reference" crude was being sold for $26.02 a barrel. The present price is $39.25 a barrel. It is the Government's claim that companies involved in fields developed at times of much lower oil prices are now enjoying much bigger profits than they could previously have expected.

But Shell UK, one of the leading North Sea oil operators, last night attacked the Chancellor's tax measures. It "greatly regretted" the introduction of the Supplementary Petroleum Duty. A tax increase of this nature and magnitude could not be justified at this stage. It could only "reduce the incentive and the financial capability of the oil industry to maintain its development programmes."

The monthly payments, said Shell, would be a heavy burden on an industry which had already been confronted with six changes in the past 12 years. The company added that this year it was facing a cash deficit on its total operations and as a result the additional tax would have to be met by a reduction in capital expenditure and increased borrowings.

Throughout the industry last night there was a feeling that the tax proposals would generally slow the pace of new field development projects. A number of companies said they were reassessing their investment programmes.

But it was also recognised that the Government may not be too unhappy by this mood. With oil consumption expected to remain at a much lower level than anticipated a few years ago it was felt that the Government might be willing to see the industry go slow on new development in order not to produce an embarrassing surplus of production in the mid to late 1980s. Such a surplus would lead to the Government imposing harsh depletion measures which, in turn, might anger some of Britain's Common Market partners.

No doubt the Government will point to the acceptability of its overall tax package when it announces the next batch of seventh round licensees tomorrow.

Ray Dafter

CONSTRUCTION INCENTIVES

Boosting bigger factories

THE CHANCELLOR has provided several fillips in the form of tax changes for the development industry. Of primary importance is the increased level of capital allowances on the construction of industrial units.

The decision to raise capital allowance on industrial units above 2,500 sq ft from 50 per cent to 75 per cent, is designed to encourage the development of larger factories, following the tax concessions granted on small nursery units in the last Budget.

The first reaction of developers was that the latest tax concessions would encourage wider investment in factories and warehouses.

Developers also welcomed new moves to provide financial support for small businesses by such means as loan guarantees.

The Chancellor has also introduced a series of measures designed to reduce the burden of Development Land Tax. These should help the house-builder and may also encourage the development of offices and shops for owner-occupation.

Under the changes, house-builders calculating their exposure to DLT—by weighing the cost of acquiring the land against its eventual development market value—will be able to add an additional 50 per cent to land costs, instead of 15 per cent as now.

Other changes will extend the shelter now afforded to owner-occupier developers of industrial buildings, to owner-occupier developers of other commercial buildings.

From now, any commercial development for owner-occupation started before April 1983 will not trigger a DLT liability until the building's use is changed or until it is sold to a new owner.

At present, owner-occupier developers of buildings other than industrial units cannot defer DLT payments even if the building is planned for their own use.

The Chancellor has announced a further change in DLT legislation affecting extensions to commercial buildings. This will exempt all extensions by less than a third—instead of a tenth as now—from further DLT charges.

The tax concessions, welcome though these will be to some developers, will provide only small relief for the construction industry, still reeling under the cumulative burden of massive public sector capital spending cuts made in previous years.

In the property sector, there were initial fears that the Chancellor's assault on consumer spending could rebound on some shop rents while out-of-town hypermarkets and stores could suffer as a result of increased duty on petrol.

Overall, the Budget seems fairly neutral in its impact on construction and property development. The decline in interest rates may help a little and contractors have also welcomed the Chancellor's decision to modify the proposed changes to stock relief rules. But developers do not expect any significant rise in new construction as a result of yesterday's measures—that will have to wait for a significant improvement in the economy as a whole.

● Construction output figures for 1980 published yesterday, just as the Chancellor began his budget speech, show construction output last year fell by 5 per cent. Since 1973 construction output has fallen every year except one, and annual output has fallen by a fifth since the early 1970s.

Andrew Taylor

INDUSTRIAL ENERGY COSTS

Aid 'too little too late'

THE GOVERNMENT has attempted to defuse industrialists' anger over high energy prices with a £168m package of assistance—but first indications were that many businessmen regarded it as a case of "too little, too late."

The Chancellor has promised to help manufacturers on gas and electricity prices and to provide up to £50m in grants for the conversion of industrial boilers from oil to coal firing.

But he is not cutting anything from the £8 a tonne duty on heavy fuel oil—which is among the highest in Europe. Last night major manufacturers reacted with some anger to this refusal to give any reduction, as most had expected him to do.

The duty was one of the issues highlighted last week in a National Economic Development Council report on comparative energy prices. The report largely backed up industry's claims that big UK energy users were paying more than their Continental competitors.

The Chemical Industries Association said last night the Government's measures could be worth about £20m to the chemicals sector—but producers faced a £200m disadvantage in energy bills compared to European rivals.

The Government main measures are:

● Gas: Industrial gas prices are to be pegged at the levels of January this year for all those renewing their contracts between now and December 1. The 1p a therm quarterly price escalation clauses written into contracts will go by the board between now and December as part of this move. The total cost of the measure to the British Gas Corporation will be £73m and the corporation has accordingly had its external financing target for 1981-82 adjusted from −£390m to −£317m. (Because British Gas is so profitable its financial target represents the amount it has to "lend" the Government each year."

The price-pegging concession will apply to both firm supply contracts and interruptible ones—the latter are where customers pay a little less in return for running the risk of having supplies cut off.

The concession will mean that firm supply customers will not be asked to pay more than some 29p a therm when their contracts come up for renewal—the figure will be lower for those on interruptible supplies. But customers will still have to pay more for their gas. A manufacturer who renewed his contract at the average going rate of 26p a therm last June will be asked to pay an extra 3p a therm—roughly—when he renews again this June.

● Electricity. The supply industry in England and Wales is having its 1981-82 external financing limit increased by £45m to give it greater tariff flexibility for large industrial customers.

It is to extend its so-called "load management" system under which industrial users are entitled to discounts on their supplies if they agree to reduce their power load at times of heavy demand.

Under the existing system businesses are warned some hours in advance of the need for reductions. Under the new system they will be entitled to additional discounts if they accept much shorter notice before reductions—possibly as little as 15 minutes.

The supply industry reckons that this measure could mean an average of 4 to 5 per cent off the bills of customers concerned.

The Department of Energy says that as a second concession Area Electricity Boards will introduce "additional flexibility" in their special agreements with industrial customers who are not on published tariffs, so as to reduce the impact of rising costs.

There was no clear indication last night what this vague commitment might mean in practice.

● Coal: The Government is providing £50m in grants for the conversion of oil-fired boilers to coal over the next two years.

The grants will therefore be widely welcomed, but the funds available may be criticised as too small: a new boiler for a medium-sized consumer, using 5,000 to 10,000 tonnes of coal a year, can cost up to £500,000.

Imperial Chemical Industries, Britain's biggest manufacturing company, said it was "in no way encouraged" by the Budget. The group made it clear that it did not think much of the Chancellor's measure to ease high energy prices.

Martin Dickson

EXCHANGE CONTROLS

New powers to hinder inflows

THIS BUDGET has not introduced any changes to the almost complete freedom of UK residents and non-residents to move money into and out of the UK. But the Treasury is going to use the Finance Bill to improve its ability to hinder inflows should the Government ever decide that such hinderance is needed. The move suggests that the UK may well follow the Swiss and West German example of artificially restricting the demand for its currency if faced with a sudden, renewed upsurge in foreign investment interest in sterling.

The Government is to equip itself with a number of additional instruments to stop loopholes in its powers to block inflows under the 1947 Exchange Controls Act. The Act does not give the Government adequate powers to prevent UK residents borrowing in sterling or in foreign currency directly from foreign lenders — in the Euro-sterling market, for instance. So the Treasury is going to give itself specific powers to control the UK resident's borrowing of any money —whether sterling or not—from non-residents. If such powers were ever employed, borrowing abroad for approved purposes such as trade financing and outward investment would still be allowed.

In addition, the Government is going to equip itself with an added deterrent by acquiring powers to insist that any UK resident borrowing abroad deposits money interest free or at a negative interest rate with the Bank of England.

The 1947 Act is also deficient in that it cannot be used to hinder the purchasing by non-residents of money market paper such as commercial bills of exchange. These constitute a loophole in that they do not count either as securities or as loans under the Act. So the Treasury is going to seek powers to clamp down on the issue of such instruments to non-residents.

Following the Swiss example (in the Swiss franc's stronger days) the Treasury is also to provide itself with powers to insist that non-resident deposits with UK banks be discouraged with negative rates of interest. It feels that a voluntary agreement between banks to pay such interest would not be reliable.

Finally the Treasury is going to ask for powers to call a halt to dealings in the UK gold and foreign exchange markets, should conditions warrant it.

Although all these measures are of a precautionary nature, they may appear odd coming from a Government committed to free market principles, which championed those principles by freeing UK residents from all exchange controls in October 1979.

The Government is providing some justification for its decision by pointing out that there was a European Community Council Directive in 1972, when the Deutsche Mark was under intense upward pressure, which required EEC member states to have at their disposal certain instruments to control inward and outward capital flows. The UK Government has for long been handsomely equipped with instruments to block outward flows of money but has not, till very recently, had much reason to perfect controls on inward ones.

NATIONAL SAVINGS

Widening the net for granny bonds

NEW MEASURES to woo savers once again formed a key part of the Budget strategy. Reducing the age limit and improving the terms for granny bonds plus the introduction of North Sea bonds later this year should significantly boost the Government's take from the personal sector and help fund the Public Sector Borrowing Requirement (PSBR). These moves pose another major challenge to the building societies which look set to announce a 1 per cent cut in the mortgage rate to 13 per cent.

Faced with an anticipated £10½bn PSBR for 1981-82, Sir Geoffrey is clearly anxious to take pressure off the capital markets and finance as much of the deficit as possible in a non-inflationary way. After 11 months of 1980-81, the Department for National Savings (DNS) has already passed its £2bn target for the year, but an even more ambitious total of £3bn has to be reached by April 1982. Hence the initiatives announced yesterday.

A reduction in the age of eligibility for the 2nd Index Linked issue certificates (granny bonds) was widely predicted but by choosing 50 the Government has decided to widen the net more than many expected. In doing so it is striking deep into the heart of building society territory and as such is bound to influence the level of building society rates over the next 12 months.

The DNS calculates that another 6.75m savers will from April 6th be able to buy granny bonds while the Building Societies Association (BSA) says about 60-65 per cent of its deposits are held by those over the age of 50. This is a sizeable pool and the battle among savings institutions for a larger slice of the market is far from finished.

Significantly, granny bonds will now be on sale to a large number of working people trying to build up a lump sum for retirement. Index Linked savings certificates are automatically recalculated in line with the Retail Prices Index but since they can be cashed in after a year they do not produce a regular income. This, according to many observers, is why they have not been an unqualified success with the over 60s, whose prime need is a high yield. Most people in their 50s, by contrast, are more interested in capital appreciation from their investments.

In addition the Chancellor yesterday reinstated the 4 per cent bonus which is paid to holders of the original Granny Bonds on maturity after five years. This was excluded in the prospectus for the second issue. His speech yesterday, moreover, referred to a "minimum" 4 per cent which will be provided for all holders; both new and existing. The Treasury clearly reserves the right, if necessary, to add more icing to the cake.

Plans for a people's stake in the North Sea were announced by Mr. David Howell, Secretary of State for Energy, in October last year. Sir Geoffrey's statement yesterday, however, made clear the Government's commitment to the idea which will be implemented later this year, probably in the autumn.

The bond, which will be aimed at small savers, will be a non-marketable security like their National Savings certificates and will be administered by the DNS. Its capital value will be fixed but the return, which will have a guaranteed minimum value will be linked to the value of the British National Oil Corporation's North Sea oil. Details of the issue will be announced later.

The biggest current contributor to National Savings funds is the National Savings Bank Investment Account. This provides a gross return of 15 per cent and at the moment is well out of line with what is being offered by the banks and building societies. Sir Geoffrey said yesterday that "a reduction in the interest rate on the National Savings Investment Account from May 1 will be announced later this month.

"This will be compatible with keeping interest rates on National Savings instruments competitive enough to achieve our target." A 2 percentage point fall to reflect the cut in Minimum Lending Rate seems probable but the Government is apparently keeping its eye on what the building societies decide at their meeting on Friday.

The BSA last night was non-committal about what action will be taken at the end of the week. The most recently published building society figures showed a healthy net inflow for January of almost £450m but last month's net receipts were only about £340m and the March intake is expected to be even lower than that. At the moment all bets are on a one point cut in the mortgage rate from 14 per cent to 13 per cent with an accompanying ½ per cent reduction in the ordinary share rate for investors from 9½ per cent to 8½ per cent. "A 2 per cent cut in MLR would certainly presage a reduction in the mortgage rate but when and to what extent has still to be decided" a BSA official said last night. "It is still fairly open."

A one point cut in the mortgage rate would reduce the monthly payments for somebody with a £20,000 loan by around £15-£16.

Tim Dickson

CAPITAL TRANSFER TAX

An incentive for donors

THE SIGNIFICANT easement on capital transfer tax in Sir Geoffrey's Budget marks a continuation of the policy outlined in the Conservative Manifesto—"To deal with the more damaging features of capital transfer and capital gains tax, and propose a simpler and less oppressive system of capital taxation in the longer term." Last year he raised the threshold for capital transfer tax from £25,000 to £50,000, simplified capital gains tax with a straight £3,000 annual exemption, and promised "further progress when economic conditions permit." This year his main contribution, justified in the context of enabling business to be more easily passed on to the next generation, has been to reduce the rates for life time transfer, alter the cumulation rules and offer relief for let agricultural land.

A new rate scale is to apply to all transfers of value during life (except for the limitation, as at present, of transfers within three years of death) above £11,000. Below that figure the rates remain the same. Thereafter, the new scale rises to a level of two-thirds of the death rates, the new maximum rate thus being 50 per cent chargeable on lifetime transfers with a cumulative total of more than £2,010,000. These new rates apply to transfers made on or after Budget Day.

No less important, the principle of lifetime cumulation is to be changed, and cumulation (whether for gifts made durin glifetime or at death) will be restricted to 10 years.

Thus a lifetime gift of £250,000, if there had been no previous taxable transfers, previously attracted a top marginal rate of 50 per cent and the total duty paid was £69,000. Under the Chancellor's new proposals the top rate band into which the gift falls will be 35 per cent and the total tax £61,000. The larger the gift (or the cumulative total of gifts) the more pronounced the benefit, so tha ton a gift of £2,110,000 the tax under the new proposals will be £848,250 against a previous figure of £1,321,500.

If teh lifetime gift is made more than 10 years before another gift or before death, the savings from the dispensation on accumulation will be no less pronounced.

The outcome must be a considerable incentive to lifetime gifts, and to early giving, which is presumably the Chancellor's intention. But those who, like the writer, saw cumulation over a lifetime as a fairer method than cumulation restricted to a specified perod of years, must regret the change. It introduces a gamble into the capital tax arrangements—a sort of "dice with death."

Two men may make gifts at the same age but one may have the misfortune to die within te nyears while the other survives. The tax bill on the former's property will now be relatively heavier, although other considerations would suggest that the heirs of the one who died earlier would be more likel yto be in need. Also the advantage of early giving must benefit those (or the heirs of those) who acquired their wealth early rather than later in life; it will thus tend to favour those who have been the recipients of gifts or legacies as against those who have built up their own fortunes.

Another general benefit the Chancellor is offering under CTT is an increase from £2,000 to £3,000 in the annual exemption provision of lifetime gifts. However, the small gifts exemption, which will continue at £250, will no longer be available to cover the first slice of a larger gift.

A further concession is the removal of the ceiling of £250,000 on the provision whereby certain transfers qualify for interest-free instalments.

A significant relief is also provided the owner of let agricultural land—a recommendation urged on the Northfield Committee by agricultural landlords. Under present rules agricultural relief is, in general, available only to full-time working farmers who, when they transfer their land, benefit from a 50 per cent reduction in the value of the land for capital transfer purposes.

Under the Chancellor's new dispensation, transfers of agricultural land which is let will also qualify for relief, but at a rate of 20 per cent.

In the exceptional cases at present where let agricultural land may qualify for relief at 50 per cent; this may occur where agricultural land is, for example, tenanted by a partnership of which the farmer himself, is a member. In future, the 20 per cent rate of relief will apply in this situation. However, as a transitional measure, where such arrangements had been made before Budget Day, relief will be allowed as at present on the first transfer of land after Budget Day.

Tax on all property which qualifies for agricultural relief at either rate may in future be paid by interest-free instalments.

On discretionary trusts, the Chancellor has promised to legislate for a new regime in next year's Finance Bill and to draw up draft clauses as a basis for discussion. In the meantime, therewill be a further deferment of the periodic change.

Cedric Sandford

PETROL AND VEHICLE EXCISE DUTY

Industry's transport costs go up 4%

THE PROPOSED increases in duty on petrol, diesel fuel and vehicle excise duty will add around £715m to industry's transport costs in a full year.

This represents a 4 per cent increase in those costs, according to the Freight Transport Association, which added the comment: "This seems an odd thing to do if the objective of the Budget was to help industry."

Industry will be paying £620m more a year for fuel for its transport fleets alone, made up of £270m more for derv and £350m more for petrol vans and business cars.

The excise duty increase will cost industry £95m, including £37.5m for business cars.

The Road Haulage Association said that, because hauliers were already in serious difficulties, they would have no alternative but to pass on the 4 per cent cost increase—"and this must push up the price of the goods we carry."

Haulage operating costs rose last year by 17.3 per cent, according to the RHA, but hauliers needed at least 23 per cent more revenue to cover costs compared with the previous year.

The recession has already reduced the number of lorries on Britain's roads by about 15 per cent in the past year. "The Chancellor has done nothing to help hauliers or to slow down that rate of reduction except, perhaps, for small companies—although we will have to look carefully at the proposals to see if small companies do get any real help," commented the RHA.

The Chancellor has ignored proposals in both the Road Transport Bill and in the Armitage Committee's report that excise duty on goods vehicles should be related to road track costs by increasing the duty by 15 per cent across the board.

He was expected to put a heavier load on heavier trucks—over 32 tonnes gross—which, according to the Government's statistics, needed to pay another £800 a year in excise duty to cover track costs.

The latest change means that a 10-tonne lorry will carry an excise duty load of £1,233 a year, compared with £1,072 last year and £824 in 1979-80.

The Government still intends to restructure the basis on which excise duty for goods vehicles is assessed. The objective is to redistribute the required tax yield on goods vehicles from the lighter, less damaging groups, to the heavier vehicles which do more damage to roads.

Measures allowing the Chancellor to make the change are included in the Transport Bill now before Parliament. The Bill is expected to become law this summer and the Government's plan is to implement the changes before the end of 1983.

Under the proposals, first launched in August 1979, the 250,000 vehicles over 12 tonnes gross weight would be taxed according to their gross weight and number of axles.

The various road-user organisations complained last night that of the £7bn collected in road tax in the 1980-81 financial year only £2bn was actually spent on the roads.

This was well under one-third, compared with 50 per cent six years ago.

Pump price increase could hit demand

● The 20p a gallon increase in petrol tax—duty plus VAT—took the oil industry largely by surprise yesterday. Most of the major companies such as Shell, Esso and BP Oil had been expecting a rise of nearer 10p a gallon. For the first time some of the oil companies seemed to be concerned that the dramatic rise in the pump price could have a serious and long-term impact on demand.

The 20p increase will take the average pump price of four-star petrol from around 131p to at least 151p a gallon. But there will continue to be a wide range of prices because competition at the pumps is still fierce—particularly in the North and Midlands. The new price range is expected to be between 148p and 170p per gallon.

The pre-Budget tax on petrol accounted for 47.7 per cent of the pump price—45.46p in duty plus 17.09p in VAT, making a total tax of 62.55p on the gallon. The total tax is now rising by 31.9 per cent to 82.53p a gallon—62.83p in duty and 19.7p in VAT.

The oil industry estimates that the increase in petrol tax plus the £10 rise in vehicle excise duty will add about £60 a year to the bill of the average motorist, doing some 9,000 miles a year at 30 mpg. Between 1978 and 1980 the number of cars on British roads rose from 14.417m to 15.2m—but petrol consumption per car per year fell slightly from 357 to 352 gallons, marking the move to smaller, more fuel-efficient vehicles.

Up to now, increases in the price of petrol have led to a small, initial drop in demand, followed by a return to normal buying patterns. Demand has never been seriously hit for more than a matter of weeks by price rises.

But the latest 15.2 per cent rise in pump prices could mark the end of what the oil industry likes to refer to as the price elasticity of petrol demand. Last year petrol demand rose marginally and a total of 5.661bn gallons was sold in the UK. Yet even before the Budget BP Oil was forecasting a 2.1 per cent drop in demand for 1981. The industry now fears that the decline could be considerably greater.

The major petrol companies—Shell and Esso lead the market followed by BP Oil—are already making sizeable losses on their petrol-selling operations, mainly because of the present glut of oil and oil products on the entire world market. All of them are giving price support of one sort or another to their retailers.

BP Oil estimates the average support across total volume is 1.25p a gallon with the amount going to individual petrol stations varying from nothing to 5p a gallon. If the 20p a gallon tax increase on petrol heightens competition at the pumps still further because of depressed demand, the majors could be forced to raise the sums they are spending to help their retailers.

But all the major companies want to cut out all forms of price support and put up their wholesale prices. Shell pointed out yesterday that the depreciation of sterling against the U.S. dollar in recent weeks meant that the sterling price of crude oil—which is traded in dollars—was now £10 a tonne higher than it had been in the middle of January.

The group reckoned that this currency variation was adding £160m a year to its costs in the UK—on an annualised basis. But the current price war raging at the pumps in many areas has made it impossible for the oil majors to raise their wholesale charges.

Last night there were warnings that many retailers would try to increase their pump prices by more than the straight 20p a gallon. The Motor Agents Association pointed out that petrol stations pay on a direct debit basis. The 20p rise would therefore mean they would have to find an extra £1,800 for every 6,000 gallon tanker delivery on their forecourts. The extra interest and insurance they would have to pay would need to be reflected in pump prices.

Ken Gooding
Sue Cameron

SOCIAL SECURITY

The pensions clawback

THE CASH cost of the Social Security programme in 1981-82 amounts to £27bn—over one quarter of the total of public expenditure. So, not surprisingly, any attempt to contain public expenditure must concentrate closely on the annual rises in pensions and other social security benefits due in November.

But in deciding on the benefit rises this year, Sir Geoffrey Howe was restricted by the legal minimum increases that can be made. The Social Security Act 1980 laid down that pensions and other benefits must be revalued each year at least in line with price movements. So he could not leave pension rates unaltered, as he has personal allowances.

Sir Geoffrey is forecasting that prices will rise by 10 per cent over the 12 months to this coming November. But since last year's uprating in November 1980 overestimated price inflation by one percentage point, he is clawing back that rise this time and increasing benefits only by 9 per cent. Legal power to do this is contained in Clause 1 of the Social Security Bill (1981), now at the committee stage in Parliament. He has kept rises to the legal minimum.

Thus, the basic retirement pension goes up by £2.45 to £29.60 a week for a single person and by £3.90 to £47.35 a week for a married couple — increases of 9 per cent subject to rounding allowances. Unemployment and sickness benefits from November will be £22.50 per week for a single person and £36.40 per week for a married couple, increases of 9 per cent subject to rounding.

PENSION RATES

	New £	Old £
Retirement and widows' pension—basic rates		
Single person	29.60	27.15
Married couple	47.35	43.45
Unemployment and sickness		
Single person	22.50	20.65
Married couple	36.40	33.40
Child Benefit — each child	5.25	4.75
First child addition for one parent family	3.30	3.00

These figures are weekly rates

The Government has always been committed to bring sickness and unemployment benefits within the tax structure. However, Sir Geoffrey is not making any further clawbacks after last year's five-percentage point reduction.

It had been hoped to tax these benefits from April, 1982, but this date is being put back. Although the Chancellor did not say so in his Budget speech, the postponement of the Government's sick pay proposals to the next session has made the delay inevitable. Sir Geoffrey pledged that the five-point reduction would be restored once these benefits were taxed.

Child benefits are going up by the full 10 per cent from £4.75 to £5.25 per week. Last year's rise was well below the inflation rate, so it would have been difficult morally to justify a lower rise, especially since this benefit has lagged behind inflation since this Government took office. The additional benefit for the first child in one-parent families is lifted from £3 to £3.30 a week.

The full range of social security benefit increases will be announced today (Wednesday) by Mr. Patrick Jenkin, the Social Services Secretary. But Sir Geoffrey said that there would be an increases in *Mobility Allowance. He is also* doubling the special income tax allowance for the blind to £360.

Eric Short

TOBACCO AND ALCOHOL

Industries hit harder than worst forecasts

THE TOBACCO industry was "staggered" and the drinks industry "surprised" at the size of the tax increases resulting from the Budget. Both industries had been expecting to bear the brunt of swingeing duty increases, but even the most pessimistic, especially among the tobacco companies, had not expected the Chancellor to go so far.

Moreover, the rise in prices resulting from the duty increases could not have come at a worse time for either industry, because both are facing a slump in sales.

The tobacco industry can undoubtedly feel most aggrieved at the 14p increase in tax on a packet of 20 king size cigarettes. This will take the price of a king-sized brand such as Embassy Number 1 from 77p before the Budget to 91p. Player's Medium cigarettes, which cost 90p for 20 before the Budget, will now cost more than £1.

The increase also means that about three-quarters of the cost of a packet of cigarettes will now go on tax, compared with 69 per cent previously.

The price of cigars will increase by about 9p per packet of five whiffs or 10 miniatures. Hamlet, the most popular cigar brand, is likely to go up to 79p. Pipe tobacco will cost about 13p more for a 25 gram pack.

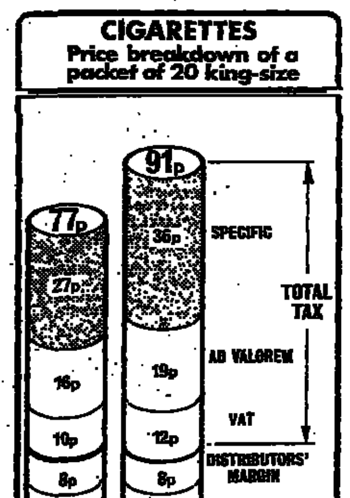
The tobacco companies were last night contemplating the effect of the 14p increase in king size cigarettes, which are smoked by seven out of 10 smokers. The size of the increase is proportionately the largest ever imposed by a Chancellor, and the industry is not surprisingly very worried about the effect on demand.

Last year the 5p duty increase led to an immediate 5 per cent fall in consumption, although this gradually recovered during the year to leave sales about 2½ per cent down overall. The 120bn cigarettes sold last year were 14 per cent fewer than in the mid 1970s.

The industry would expect sales this year to fall by at least 15 per cent in the next few weeks, although some estimates would put the increase at substantially more in the short term—perhaps by as much as a quarter.

Cigarette sales are bound to recover in a few months, but the overall level of demand will be lower. Some trade analysts suggest that according to the Chancellor's desire to raise an additional £500m in revenue, the Treasury is calculating on a 10 per cent decline in consumption over the year.

CIGARETTES
Price breakdown of a packet of 20 king-size



Such a fall in sales would further intensify the price-war that has developed in recent months as manufacturers seek to maintain their volume sales through price-cutting. This would put additional pressure on the companies' profit margins which have already been squeezed.

Although the Chancellor did not specify that the hefty duty increase was aimed at reducing cigarette sales because of the harm to health, most tobacco companies feel that this must have been behind his thinking. The anti-smoking lobby group ASH considered it was "pretty disgraceful" that the Chancellor had not gone further and made a firm commitment to reduce consumption through taxation on health grounds.

The cost of some beers could go up by 7p a pint in the next couple of weeks because of the Budget measures. The Treasury suggestion of 4p a pint increase is an average estimate, and beers with above average strength will go up by an extra 1p. Correspondingly below-strength beers will go up by less than 4p.

The increase in DERV and petrol prices will mean a heavy rise in transport costs. This will add another 2p a pint. Some beers in the London and south-east will therefore cost more than 60p a pint.

Beer output this year is likely to fall even more than the 3 per cent forecast last month. This projection was made on the assumption of a duty and VAT rise of 2p a pint. Some production units could be closure casualties as a result of the increased duty.

The Scotch whisky industry, which has campaigned against increased duty for several months, argued last night that the Treasury would gain less revenue than the Budget forecasts hoped for because of diminishing returns. Like the brewers, whisky companies are particularly worried over transport costs: Scottish distilleries in remote areas are almost totally reliant on road haulage.

Whisky companies are relatively relieved at the Chancellor's increase. Rises of up to £1 had been rumoured in the industry.

The 12p increase in duty and VAT on wine is certainly the lightest of the increases. Table wine is the only market still expanding in the UK drinks sector, and wine merchants expect some switching of consumers to their products. However, the increase of between 8p and 23p a bottle on fortified wines is likely to hit this already declining market.

David Churchill

CHARITIES

VAT relief goes only to the disabled

WHATEVER their hopes, Britain's charities are acutely disappointed that the Chancellor has found it impracticable to introduce wider relief from the Value Added Tax burden that together with inflation and cuts in central and local government spending is making their lot an ever harder one.

Many UK charities claim to be alarmingly in deficit and say they are reducing their services.

Mr. Nicholas Hinton, director of the National Council for Voluntary Organisations, yesterday condemned VAT's influence on charity finance as "an indirect tax on public giving," and said that his council refused to accept that wider charitable relief from VAT would be too difficult or costly to administer, as suggested by the Chancellor.

It is estimated that in the 1979-80 financial year, the net amount collected in VAT from UK charities, after relief, was approximately £7m—a sum expected to rise to £12m or thereabouts in the current financial year.

On the other hand, the Government has decided that the time is right to pay special attention to the disabled.

The special income tax allowance for the blind, the Chancellor said in his Budget speech, had stood at its present level since 1975, and is to be doubled to £360.

He said many representations had been made to him for relief from VAT on all purchases made by charities. "I have regretfully concluded," said Sir Geoffrey, "that such relief would be impossible to administer fairly or economically and would in any case cost too much."

The Chancellor is also proposing changes to widen the scope of the reliefs from capital taxation for trusts for the disabled; and to encourage the unemployed to work for voluntary bodies, the amount that can be earned without affecting unemployment benefit is to be raised from 75p to £2 per day.

Total cost of these measures, the Chancellor admitted, was relatively modest, but when put alongside the tax reliefs announced last year in respect of covenanted gifts to charities, the overall amount was "substantial," Sir Geoffrey claimed.

He said that tax relief on covenants at the higher rates of tax would become effective on April 6, 1981, at a revenue cost of £20m. These reliefs would greatly improve the fund-raising ability of charities, and the reliefs themselves, and the opportunities they offered, would be publicised widely.

For many of Britain's top fund-raisers, however, the Chancellor's measures are disappointingly modest. Many of the most prominent charities, including the Spastics Society, the National Society for the Prevention of Cruelty to Children, and the Royal Society for the Prevention of Cruelty to Animals, are finding the going increasingly tough, and almost all are especially resentful about VAT.

"Charity," one of them said yesterday, "may not begin at home, but neither does it begin with this Government."

Michael Thompson-Noel

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The strategy's last chance

IT WOULD be idle to pretend that the decisions announced in the Budget yesterday are anything other than an admission of general defeat by the Government. Except in terms of the inflation rate, it has failed to achieve any of its central financial objectives. It has lost control of public spending to a combination of Cabinet revolts and failure to budget for the cost of Clegg. It is no longer sure of the meaning of its own monetary targets—originally the central objective of management; and the economic consequences have been grave.

Still incomplete

At least, though, it was a pretty honest admission, and the Chancellor has now acted, decisively and painfully, to bring his budgeting a large step away from wishful thinking and towards reality. This will be widely denounced as a Budget which will undermine any possible recovery from what is already an unprecedentedly sharp setback in manufacturing. We would, on the contrary, agree with the judgment that painful fiscal decisions were required to create the conditions for the easing of credit pressures and interest rates which is the central precondition for recovery. The so-called "demand effect" is largely irrelevant, as the Chancellor argued. If the performance of the economy were determined by the level of final demand, 1980 would have been a year of boom, not slump. The need was to restore financial and economic balance; the Budget will be a success if it produces the balanced conditions which will reduce interest rates to a real level normal in a deep recession.

The Chancellor is trying to achieve this better balance by two methods: fiscal tightening combined with more sophisticated methods of measuring and controlling the money supply. Unfortunately the second half of this exercise is still incomplete. We greatly welcome the long overdue innovations in funding and money market management; but the relegation of the broad measure of money, Sterling M3, to the medium term, while equally overdue, leaves a gaping hole in the logic of day-to-day management. Until it is filled by the adoption of a new definition of day-to-day monetary conditions, we cannot know even whether the Budget is achieving its target.

Operational manual

The current studies of the monetary base and of retail banking deposits have therefore a much more than academic interest; they may form the basis of the new operational manual for the Government's financial strategies which should be complete in time for the annual autumn "financial statement." Until then, the Government will be flying partly by the seat of its pants. It would also be helpful if two other changes could be made: the introduction of a cyclically corrected measure of the Budget stance, which Sir Geoffrey studiously avoided; and some distinction between the various elements which go to make up the total of public sector borrowing. The Chancellor said that the Government was in the same position as a private concern; a private debtor will find his creditors keenly interested in the purposes for which he intends to borrow.

These may seem dry and academic points, but the fact is that it is impossible to make any clear judgment of the Chancellor's decisions in the absence of better measure of current conditions and underlying trends; and more important, market participants are equally at sea. Yet the whole aim of Government strategy is to influence expectations and market psychology. If the Government really means to stick to its medium term strategy, it needs to clarify it further. Vagueness may be misinterpreted as an attempt to put up a smoke-screen.

With these reservations, it is still possible to find reasons for strong praise and strong criticism among the decisions which have actually been made. Praise is due for the courage to be "deflationary" at such a time, and by such unpopular means—that is, for imposing burdens on the personal sector and for relying mainly on reduced public borrowing to provide a balancing relief for the supply side of the economy.

Important step

We must equally welcome the Chancellor's success in breaking the institutional logjam which has for so long prevented any innovations in funding. One indexed issued is hardly going to solve the problem of servicing the ational debt, or finance a wave of productive investment in the public sector; but this issue, together with the new oil bonds and the wider availability of "granny" bonds, and future plans for short term funding should together go far to abolish the old mystique of gilt-edged. The illusion that over-spending was harmless if financed by sufficiently long borrowing has encouraged inflation, ossified the capital markets and crowded out private investment. Historically this may prove the most important step towards freedom and realism which the Chancellor has yet taken.

Among the headline events, one major change is admirable, and one deplorable. The Chancellor has taken advantage of the falling inflation rate to do some overdue catching-up in the indexation of specific duties. At last a Chancellor has had the courage to confront the bogey of the retail price index, and refuse to prolong the process of raising income tax in order to cut the real price of our vices.

Money illusions

Unfortunately, the Chancellor has undermined the very principle embodied here — that decisions should not reflect money illusions — in his decision about income tax. The decision to override Rooker-Wise in order to avoid a rise in nominal tax rates is deplorable. It is regressive, and therefore widens the poverty trap; it means that those who have made realistic pay settlements do not get the advantage an honest change might have offered of some tax relief.

Other details seem carefully considered and on the whole welcome — the form of the bank tax, the incentives for small companies; but they do not alter the central judgments. The decisions announced yesterday, though sometimes vague or misguided, show a dogged sense of purpose; but as we have repeatedly had to observe, they are sadly overdue. This is the last chance for the strategy.

ECONOMIC ASSESSMENT

Chancellor lives to fight another day

IT is always a relief when a Chancellor—any Chancellor—sits down on Budget Day without having announced any major strategic blunders. The medium-term Financial Strategy is still alive and fighting for its existence; and the total package should increase the chances—I would put them at about 50-50—of its being observed until the end of Parliament and beyond.

PUBLIC SECTOR BORROWING

1979-80 prices (£bn)

	1979-80	1980-81	1981-82	1982-83	1983-84
Total general government expenditure	88.8	91½	91½	90	87½
Total general government receipts	−78.4	−79½	−82½	−84	−85
Implied fiscal adjustment	—	—	—	1	2
General Government Borrowing Requirement (GGBR)	10.4	12	9	7	4½
PSBR	9.9	11½	8	6½	4
(as percentage of GDP at market prices)	5.0	6	4½	3½	2

The limitation of the MLR cut to two per cent suggests that the Government has not so far yielded to the panic-mongers who want to get the exchange rate down still further and at all costs. The advocates of a formal override by which the monetary targets would be suspended if sterling rose above, or fell below, certain trigger points have not carried the day. All the same, an unwritten override would almost certainly occur should sterling climb back anywhere near the levels reached at the beginning of this year.

It needed some courage to raise the burden of personal tax in a recession year, however strongly one disagrees—as I do—with the way in which it has been done. But I wish that the target for the Public Sector Borrowing Requirement had not been unconditional. The idea of specifying the PSBR for a given or "constant employment" level of activity, so far from being a new-fangled egg-head notion, has been around among economists of most persuasions for over 30 years.

If it was followed politicians would actually have less egg on their face rather than more. For instance the 1980-81 overshoot of £5bn involved in the estimated outturn of £13½bn would have been reduced by half if the original target had been given on an adjusted basis.

The restricted indexed gilt—our old friend "RIG" (a name which has been outlawed) — is very welcome, but many years overdue. Such proposals have been kicking around not only for most of the lifetime of this Government, but during the last Government's life as well. If it had been introduced earlier and had proved a success, the Treasury could now be thinking of a major conversion operation like Neville Chamberlain's in the 1930s. This would alter radically the profile of debt servicing with an immediate benefit to the Chancellor measured in billions.

On techniques of monetary management, the result is very much a draw between the contending factions. Despite what the ultra-technicians say, sterling M3 is probably a reasonable guide to the movement of money GNP, over a period of years. But it can be either insensitive or even perversely sensitive, to interest rate changes in the short-term.

The carefully-drafted words about looking at a range of indicators in the short run, and of examining the future role of the banks' cash ratio, leaves the door ajar for a monetary base control. But it also leaves the door more than ajar for Top People to fix short-term interest rates over a drink.

As for the monetary targets, it is something that they have now been restated up to 1983-1984. But the idea mooted by Mr. Nigel Lawson in his Zurich speech of making some reduction in future years to compensate for the 1980-81 overshoot has been taken up very half-heartedly. The 1981 report of President Carter's outgoing Council of Economic Advisers makes clear how a combination of base drift and technical over-optimism have made a series of theoretically quite tight monetary targets, very inflationary in practice.

The Financial Statement formula is that some claw-back will be considered "as and when the opportunity arises." But the actual projections assume full-base drift.

Rather more important has been the failure to roll forward the Monetary Strategy a further year beyond 1983-84.

The Treasury forecasts envisage real output rising by about 1 per cent in the year to the first half of 1982, and from then on rising by 1½ to 2 per cent per annum. The Public Expenditure White Paper, based on old forecasts, envisages unemployment rising to a ceiling of 2.7m adults in 1982. Bearing in mind school-leavers, and revisions to forecasts, this means headline figures bobbing up and down around 3m for some while.

It was quite right to concentrate tax increases on the personal sector, where those still employed have never had it so good for the last two years. Yet it has been done in such a way as to increase the "why work?" syndrome. Work disincentives are now just as great at the lower end of the incomes scale as they were at the upper end in the Healey period. It would surely have been better to implement Rooker-Wise in full, even if that meant raising the basic rate.

Nor was it a good idea to raise the excise duties by twice as much as full indexation would have required, thereby adding another 1 per cent to the Retail Prices Index. The inflation rate is now forecast to fall to 10 per cent by the end of this year and 8 per cent by the Spring of 1982. Given the shocks and snares likely to knock aside the best made plans of mice and men, why not take advantage of the opportunity to go down to 7 per cent, while there is a favourable wind, thus bringing nearer the day when inflation is no longer a major problem, and the Government can concentrate on other things?

No one relishes an increase in taxes, but why not be straightforward about it and raise the basic rate by the 3 or 4 points necessary, in view of the Cabinet's failure to control expenditure. It is time that grown men and women stopped making a fetish of the basic rate and appreciated that the public well realises that there are numerous other ways by which taxes can rise, even if the 1922 Committee does not.

But there are really much wider issues. The projected levels of unemployment are a scandalous waste of resources. Pumping more money into the economy—which is what the Treasury Committee has been urging behind its verbiage—is certainly not the answer.

Indeed, the main responsibility here does not lie with the Chancellor, but with other Ministers who have made so little progress in reducing the rigidities in labour and other markets—of which union monopoly power and the institutionalised pricing of people out of work are but the most prominent examples.

Professor F. A. Hayek, whose books the Prime Minister named and recommended to the House of Commons just before the Budget, has—very unusually for him—pointed a finger at an individual—Secretary of State for Employment Mr. James Prior as the man most responsible for the lack of progress on this front.

The Budget is certain to be criticised for the wrong reasons. Some conventional forecasters will say that its net changes will reduce real demand and output by 1 to 2 per cent. In fact this is extremely unlikely. Most of the reductions in real personal disposable income will probably be reflected in lower savings and lower imports. On the other hand, companies are likely to spend every penny on the bits and pieces of relief that they have been given.

The criticism of the Government's tax philosophy is much deeper. It has kept in being a whole host of special reliefs and exemptions for mortgage interest, pension funds, insurance policies, and many other special interests, which must be costing the Revenue some £3bn-£4bn. More important, these reliefs, together with the 75 per cent top rate of tax on direct investment income, provide the greatest possible incentive for people to save through institutions—and also to get tied up with corporate pension plans which make job mobility extremely costly.

Rather than try to offset these distortions by other special reliefs for investment in small companies, it would be much better to have made a clean sweep by phasing out special allowances and exemptions of all kinds.

Something more could have been made with a less compressed presentation of the economic part of the Chancellor's speech—even if it had meant relegating some of the fiscal minutiae to Press announcements. Allowing for trend changes in velocity, the Financial Strategy provides for a growth of total spending of nearly 10 per cent in the next financial year, falling gradually to just under 8 per cent in 1983-83. It is not inevitable that this should bring with it 1 per cent growth and nearly 3m unemployed. The financial path would be entirely consistent with 4 per cent growth, a large reduction in unemployment and a near elimination of inflation.

It is certainly right to base the Budget arithmetic on pessimistic realism (which in the past has never been pessimistic enough). But at least the alternative picture could be painted. There may be too many "wets" and faint-hearts to allow any of the main reform alternatives associated with the names, in alphabetical order, of Hayek, Jay and Meade—or even for a decent Green Paper on union law reform which mentions economic effects. But at least people may take up the challenge even when their political leaders fail them. Indeed they may well probably do so through the "black economy"—for which three cheers, whether its activities appear in the national income statistics or not.

Samuel Brittan

POLITICAL IMPACT

A painful contrast with two years ago

THREE years—about the maximum possible period before the next General Election—is a long time in politics in which anything can happen. So it would be idle to pretend that Sir Geoffrey Howe's third Budget is the Government's last chance of winning. It cannot, however, make the chances any easier.

The contrast with the Chancellor's first Budget nearly two years ago is painful. Those were the days of bringing down direct taxation, creating incentives, reducing the burden of financing the public sector, of halting and then reversing the long economic decline.

The decline has continued since and may get worse next year. As Sir Geoffrey said yesterday: "In 1981-82 output is expected to be lower and unemployment higher than envisaged a year ago."

According to the accompanying Financial Statement, gross domestic product is forecast to fall by a further 2 per cent in 1981 after a fall of 2½ per cent in 1980. Manufacturing output is again expected to be most sharply affected.

Indeed it is difficult to think of one single area in which the Chancellor had good news to report except for the rate of inflation where the Government has succeeded in bringing about a reduction after having itself put it up in Budget No. 1.

Even here, there is blemish: the rate is now forecast to rise again to about 10 per cent in the current year as a result of the surprisingly steep increases in petrol, alcohol and tobacco taxes.

So much for the Government's policy of seeking to influence expectation by a falling rate of price increases. In practice, the Chancellor has repeated the mistake of 1979 of deliberately allowing the retail price index to rise more than necessary, and this time without the compensation of a cut in direct tax.

If the Budget has a recurrent theme, it is simply this: Sir Geoffrey is seeking to claw back what he failed to achieve in the battles over public expenditure cuts in the past two years. What he appears to be saying to his Cabinet colleagues is: "If sufficient cuts had been agreed earlier, we would not now be raising tax by so much."

The Chancellor has thus emerged largely as the keeper of the books. His prime purpose seems to be to prevent the Public Sector Borrowing Requirement from getting even further out of hand. There appears to be no other philosophy behind his approach apart from the penchant for small businesses.

Even as a book-keeping exercise, the Budget is marred by the determination to try to stick to certain political commitments. The simplest way to deal with the public sector deficit would be to have raised income-tax directly. Instead, Sir Geoffrey has done it by the back door.

Raising the employee's national insurance contribution is merely another way of increasing income-tax, as the Chancellor admitted in his first Budget. "It is the basic rate—plus, of course, the National Insurance contributions—which represent the deterrent effect of tax on additional earnings," he said then.

Similarly, the refusal to raise allowances in line with inflation—indeed not to raise them at all—is merely another way of placing more tax on the lower paid. This must be the first Budget for many years which will lead to more rather than fewer people income-tax.

The Government used to talk about the deterrent effect of tax on those at the lower end of the earnings scale. Last year the Chancellor specifically sought to protect the poorest taxpayers.

His words then are an adequate comment on what he has done now. Not raising the allowances, he said then, "would have a number of undesirable effects. It would lower the starting point of income tax in real terms compared with a year ago. It would increase the number of taxpayers. It would narrow the gap between tax thresholds and the main social security benefits. And it would impose particularly heavy burdens on those with the smallest incomes."

All that has been done now because of the Government's refusal to raise the basic rate.

The search for revenue wherever it can be found has led to other contortions. Last year the Chancellor claimed it had not been established that a tax on the windfall element of bank profits was "neither practical or entirely desirable." This year, when the element is lower and the conditions different, he has introduced it.

It is too early to judge the Budget's effect on the Tory Party. Certainly no-one expected a bonanza, although no-one predicted anything quite as severe. It would be wrong to assume that those want reflation or a new industrial strategy—by which is meant more money for industry — will be strengthened.

The Chancellor's message is clearly that the money is not there and that if he had had his way thre would have been more and earlier cuts, especially in social security.

The Government on the whole looks more divided than ever. There are those who wanted cuts and those who resisted them, and there is the Chancellor in the middle trying to make sense of the books. There is no sense of a common political philosophy or even of an efficient organisation.

The odd thing is that Sir Geoffrey actually has improved the Budget-making procedures. The White Paper of the Government's expenditure plans appears on the same day. The November Statement allows time for consultations on proposed tax changes.

But it looks as if it all happened by accident and what is missing is a coherent Budget to go with it.

The Tories once promised to simplify the tax structure and to prepare long-term reforms. All that, too, has gone by the board. The immediate beneficiaries of the 1981 Budget are likely to be the Social Democrats.

Malcolm Rutherford

COMPANY PERKS

New curbs with a sting in the tail

UNDAUNTED by administrative hurdles and collection costs, the Chancellor has made a vigorous effort to limit what he clearly sees as anomalies in the system for taxing personal benefits.

Sir Geoffry Howe has said he belives the spread of benefits has, in many cases, gone beyond "the fringe of sanity." Yesterday's proposals, more far-reaching than those in the 1980 Budget, seem designed to bring them back within the fringe.

The Chancellor again has increased by 20 per cent the tax scales on company cars, with effect from April next year. This means the taxable value of the provision of, for example, a three-year-old 1500 cc car costing £5,000 will increase from £300 to £360.

The proposal will do little more than take account of the rising cost of motoring and came as little surprise.

The real sting in the tail of the Chancellor's remarks was his proposals on petrol and credit cards. The taxation of petrol bought for private use and of goods bought with company credit cards has long been a subject of lively debate between the Inland Revenue and employers.

The Revenue highlighted the petrol issue in its consultative paper of August 1979 but its ideas were greeted with a conspicuous lack of enthusiasm by employers and their accountants.

Employers fear that the Chancellor's proposals, which still have to be worked out in detail, will add enormously to their administrative burden. Most companies do not keep records of how payment is made on an individual basis.

Similarly, the time and labour involved in preparing individual statements on company credit cards, which distinguish between private and business expenses, will add considerably to corporate costs.

It may prove next to impossible for a company or the Revenue to distinguish adequately between these expenses. The way the tax would be levied is still obscure.

In the case of credit cards, for example, it is not certain whether both the subscription to the card and charges to it would be subject to the tax.

The practice of using company credit cards has proliferated in the past few years. American Express says 20 per cent of its cards issued in the UK are company cards. It was unsure yesterday how the proposals would affect its cards which, strictly speaking, are charge cards, not credit cards.

The proposals are potentially a considerable source of revenue for the Exchequer, particularly in light of the increases in petrol duty. Accountants doubt, however, whether the Exchequer will be much better off after resolving the administrative problems and paying for higher collection costs.

The Chancellor has raised the mileage threshold at which business cars are liable to the standard tax schedule. A car will need to record 2,500 business miles a year to escape a higher tax rate.

The increase may appear significant, but the threshold is still low. It will probably be significant in companies where directors' wives drive second company cars.

The Chancellor's decision to end the system whereby employers can provide tax-free benefits to employees earning below £8,500 in the form of season tickets is consistent with the Revenue's recent efforts to attack these schemes for contravening its voucher legislation.

British Rail estimates that 10,000 season tickets are paid for initially by someone other than the ticket-holder but, in general, the season ticket will carry no tax benefit.

One innovative scheme, however, has been pioneered by London Transport and LV Travel, a division of Luncheon Vouchers. Under this block-discounting scheme, any refund is payable to the employer, escaping the voucher legislation. The Chancellor's proposal has probably been drafted with this scheme particularly in mind.

The proposals on medical insurance premiums are little more than a return to the system obtaining before 1976. Since then, employees earnings less than £8,500 who receive medical insurance cover provided by their employers have been treated as recipients of a tax benefit.

To bring the system in line with the general earnings threshold on the taxation of fringe benefits, the Chancellor has freed employees earnings less than £8,500 from this tax liability. It is the only proposal in his perks package which will directly benefit employees or relieve companies of paperwork.

John Makinson

GOLDEN HANDSHAKES

REDUNDANCY payments and other payments on termination of employment will not be taxed unless over £25,000. This replaces the existing exemption of £10,000 and is in line with today's equivalent of the original exemption of £5,000 introduced in 1960.

The present rules have been criticised recently for their complexity and ease of manipulation. For payments exceeding £25,000 the existing reliefs are to be replaced and instead one half of the payment above this figure will be taxed as an addition to income.

The distinction between compensation and non-compensation payments is to disappear.

The existing scheme may continue for payments already negotiated. The Revenue has also clarified its understanding of genuine payments as opposed to disguised terminal bonuses.

AMOUNT OF TAXABLE BENEFIT ON COMPANY CARS FOR 1981-82

	Cars under 4 year old £	Cars 4 years old or more £
Cars with original market value up to £9,600 and having a cylinder capacity:		
1300 cc or less	230	155
1301-1800 cc	300	200
More than 1800 cc	450	300
Cars with original market value over £9,600:		
£9,600-£14,400	[illegible]	[illegible]
Over £14,400	[illegible]	[illegible]

INCOME TAX

Taxpayers' new burden of £2½bn

TWO-AND-a-half-billion pounds. The figure has very little meaning for any but the economically literate.

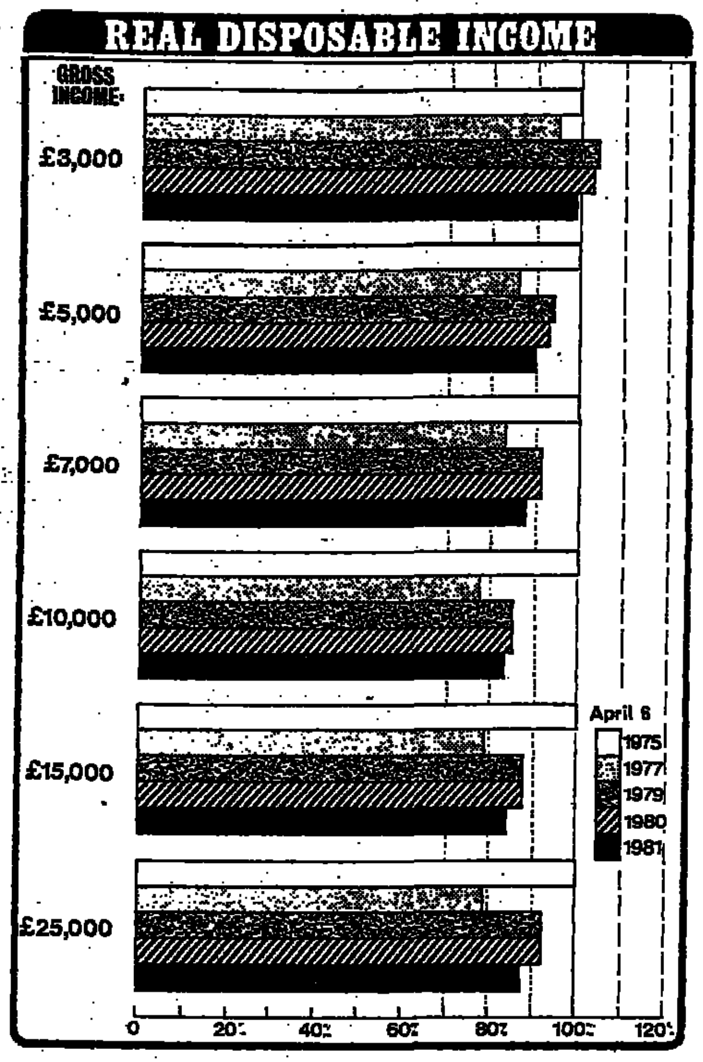
But £2½bn is what the Chancellor is taking out of taxpayers' pockets by not indexing personal allowances and tax bands. How it works is that the taxpayer whose earnings have risen in sympathy with inflation during the past year finds himself starting to pay tax at a lower threshold in real terms. If he is a high earner, each of the higher tax rates, above the 30 per cent basic rate, also cut in at lower real rates of income.

The fall in real spending power for most people is 3 or 4 per cent. Those who think the Chancellor has let them off lightly, are living in a fool's paradise. This is what the 1981 Budget is all about.

The married man's allowance for 1981/82 remains at £2,145, and that for the single taxpayer at £1,375. There is no change, either, in the age relief of £2,895 for the husband and wife one of whom is over 65, or of the £1,820 for the single individual over that age.

Rates and bands also remain fixed at the same levels and widths as last year. The basic rate of 30 per cent applies to the first £11,250 of taxable income, the next £2,000 of income is taxed at 40 per cent and thereafter the rates rise in 5 per cent steps, those rises applying from income levels of £13,250, £16,750, £22,250, until at £27,750 the maximum rate of 60 per cent is reached.

The failure to index these rates and bands in a period of inflation has a regressive effect. Had the married man's allowance been increased by 15 per cent, from £2,145 to £2,470, the reduction in the tax burden for the basic rate taxpayer would have been £97.50. For the taxpayer whose earnings (after any other reliefs such, for instance, as mortgage relief, but before the married man's allowance) are £2,470 loses that full £97.50—proportionally a greater part of his spending power than the same £97.50 for the man whose earnings on the same basis are £13,300.



The table compares the relative changes in real disposable income over the past seven years at six representative levels of income. The calculations at each gross income level assume that a married man with two children under 11 has those current earnings, and that those earnings have been reached as a result of "standard" increases each year from April 1975 to date.

During the first three of those years, his increases were determined by pay policy. In the next three years to April 1980 his pay rises were in line with the average increase in earnings. And in the year to date we have assumed a 15 per cent increase—in line with calendar 1980 inflation even if this cannot reasonably be described as an average increase.

Tax and national insurance have been deducted from the gross earnings, and child benefit (up to April 1977 family allowances) has been adde. The resulting disposable income has then been indexed—in line with the retail price index—on a base of April 1975=100.

The figures show an only too familiar story. Between April 1975 and 1977, spending power was cut by a real 22 per cent for each of the three highest of our earnings bands, although at the lower income levels the reduction was just as painful although not numerically as large. Then, following the very small increase across the board in April 1978 (not shown), Sir Geoffrey Howe pumped everybodies' earning up in 1979—the highest earner more than the rest.

Since then people's income has resumed its steady and seemingly irreversible decline. Junior and middle management saw a very modest increase in 1980 over 1979—only because they were the possessors of the income levels least benefited in 1979. All other earners were worse off at April 1980 than they had been a year earlier.

What will the Budget do to earnings in 1981? It is a sorry tale indeed. The figures show a 4 per cent fall in real disposable income for the man on the lowest income level.

The percentage fall for those on income bands above his is smaller—but that is the meaning of regression. The poor get poorer while the less poor also get poorer but less quickly.

It is only at the highest income level that the fall in real income again reaches 4 per cent. The man on £25,000 suffers not only from the basic rate starting at an unindexed threshold, but also each and every higher rate similarly cuts in earlier.

But this picture does not tell the whole story. What we need to focus on is the effect of this regressive feature built into our tax system on top of severe and increasing unemployment.

A married man with two children who is made redundant receives whatever redundancy pay he is entitled to free of tax (up to a threshhold now raised to £25,000—a figure which must be salt in the wounds of most redundant employees). He also receives tax free supplementary benefit, which itself will contain an earnings related element for the first six month after he loses his job.

What are that individual's incentives to seek other employment? The earnings level at which he is now to start paying tax is reduced. His marginal tax rate at that level is not simply the 30 per cent basic rate of tax, but that rate together with 7.75 per cent of employee's national insurance contributions.

Both tax and national insurance start at lower thresholds than this unemployed individual can receive tax free in supplementary benefit. The tax disincentives to his accepting employment are greater than is generally appreciated.

Inflation has not yet been conquered. The Chancellor recognises that he must increase the levels of supplementary benefit—although benefits such as pensions are to be increased by 9 per cent rather than the full rate of inflation, the same rate as pensions are to be increased.

If tax is to be applied regressively this year and in future, the poverty trap into which the unemployed are locked will become ever more depressing and disastrous.

David Wainman

MONETARY POLICY, INDEX LINKED GILTS

Bold action to curb public borrowing cost

THE GOVERNMENT'S plan to start issuing index-linked gilt-edged stocks—starting with the £1bn bond announced by the Bank of England yesterday—is a bold experiment to lower the cost of public sector borrowing now the inflation rate has come down.

Critics of the Government's fund-raising methods have long pointed out that for the Treasury to continue issuing long-dated stocks carrying double digit yields into the 21st century offers little evidence of confidence in permanently cutting the rate of price increases.

Sir Geoffrey Howe seemed to acknowledge the point yesterday when he stressed: "This innovation demonstrates the confidence we have in our strategy for bringing inflation down."

The £1bn-issue, which will have both interest and principal payments linked to the retail price index, will be eligible for ownership only by pension funds and for the pension business of life insurance companies and friendly societies.

Without this restriction to domestic financial institutions, the novelty of an index-linked bond in a petrocurrency would be bound to attract substantial inflows of foreign investment funds from the oil states and elsewhere.

This would not only drive up sterling on the exchanges, but would also provide no help to the Government's fundamental aim of funding its borrowing requirement from domestic institutions and individual savers.

The paradox of the innovation, from the investors' point of view, is that they benefit from index-linked gilts compared with conventional fixed interest investments only if inflation continues at significantly more than 10 per cent.

One Whitehall official quipped last night that the best mix for a conservative institution which wanted to hedge all conceivable risks would be to adulterate its indexed-gilts portfolio with holdings of War Loan—which would bring a profit if inflation really came down.

Sir Geoffrey told the Commons that the issue would give the Government greater assurance of meeting its borrowing needs and would also bring advantages for monetary control.

He said the indexed-gilt would reduce uncertainty about future real interest rates — "thus helping borrowers and lenders alike."

The breakthrough towards indexed securities obviously helps bring indexed-linked pensions in the private sector one ste pnearer, as advocated in the Scott report.

But Legal and General put the big insurance company view last night when it said that the Government's decision in no way gave the green light to such schemes.

Stressing that £1bn represented only 10 per cent of pension funds' annual cash flow, the National Association of Pension Funds made the same point. Mr. Harry James, its director general, said the security would be a popular instrument. But the institutions would need a Government promise of a steady flow of such issues before guarantees of index-linked pensions could be given.

The Bank of England made clear yesterday that further issues of indexed stock would be made in the future if the first proved successful. But although the issues could, in time, make quite a significant contribution towards covering the Government's borrowing, there is no target for a set number of issues per year.

Institutions thinking about subscribing to the issue, which carries a nominal interest rate of 2 per cent and runs to 1996 (although it can be repaid early under special circumstances), will have a fortnight to think over the idea.

The closing date for tenders is March 27, with £35 per cent of the subscription payable at tender, £30 per cent on May 1 and the balance on May 26.

In a number of other areas, too, Sir Geoffrey stressed the Government's new-found flexibility in its monetary management. He confirmed that the Treasury is considering the idea of introducing new short term marketable Government securities later this year to improve monetary control.

One proposal is known to be that 12-mounth Treasury bills should be issued.

He also put forward measures to smooth the uneven flow of tax revenues to the Exchequer—particularly involving North Sea oil taxes—which in the past have been a big factor leading to "bunching" in Government borrowing and spurts in the money supply.

He spelled out more details of the Government's plans to make gradual reforms in the techniques of monetary control. Once a little more fleshing out has been done on the bones of the Green Paper on monetary control published last March and the Bank of England statement last November, the Bank will suspend the practice of announcing Minimum Lending Rate. Instead it will aim to keep short term interest rates within an unpublished band.

The Bank will give more information on proposed changes when it issues a document on monetary control, as well as the new draft of its much-criticised document on banks' liquidity. These papers are expected shortly, probably on Thursday. They can be expected to have more to say about the future of the reserve asset ratio—now being slowly phased out—and the cash ratio.

The Chancellor had nothing new to say on a possible move to a system of monetary base control, under which the Bank and Treasury would set the path for the growth of bank reserves and cash in circulation and allow interest rates to fluctuate freely.

It is clear that any system where the Bank keeps rates "within an unpublished band" will still involve a great deal of discretionary control.

In a concession to those such as Prof. Alan Walters, the Prime Minister's economic adviser, who have stressed the importance of the monetary base, the Government is, however, to arrange for figures on this aggregate to be published starting later on this month. Previously Prof. Walters had to work them out himself as the Bank furnished no data.

The provisional sterling M3 rise for February—announced by the Bank yesterday—was 1 per cent, making an annualised growth rate of 9 per cent in the past three months. But the increase since February, 1980, worked out at 20 per cent, or 17.5 per cent after making allowance for "corset" distortions, double the 7 to 11 per cent target.

The new target for the 14 months to April, 1982, is 6 to 10 per cent, as laid down under the Government's strategy.

Pointing out that narrower definitions of the money supply have been growing much more slowly, and hoping that last year's overshoot will have no lasting inflationary consequences, Sir Geoffrey has allowed a sharp increase in the base from which next year's indicators of monetary behaviour will be measured.

But he did concede—probably with a degree of wishful thinking—that it would be "desirable" to claw back some of 1980's excess by lowering monetary growth over the medium term.

David Marsh

INDUSTRY AND SMALL BUSINESSES

Big business feels left out

THE Chancellor of the Exchequer faces the risk of a major uproar in industry over his Budget measures. While his proposals for small businesses wil placate some, but not all, lobbyists and backbench Conservative MPs, they will be regarded by the rest of industry as totally insufficient to make up for the things he has not done.

By not cutting the National Insurance Surcharge or the heavy fuel oil duty and by only reducing MLR by 2 per cent, he has ignored most of the recommendations put to him by the Confederation of British Industry and other groups.

He is, therefore, putting at risk the basic loyalty to the Conservative cause which has stopped industrialists speaking out more strongly in recent months. "It is as if he has not been listening to any of us," said one industrialists' spokesman last night.

Sir Terence Beckett, director of the CBI, chose his words more carefully after the dressing-down he received last November for threatening a "bare knuckles" fight with the Government. He only expressed a mood of "melancholy" and will wait to see how his members respond before speaking out.

Even some small business groups were far from happy, regarding the "enterprise package" as mere window-dressing.

Nevertheless, the CBI and the other small business groups have to acknowledge that two measures which they have been demanding for some time have been included in the ten-point enterprise package.

One is the bank loan guarantee scheme which has been resolutely opposed for three or four years by both the Treasury and the Department of Industry. Civil servants were mainly worried about the potential cost to the Exchequer and the risk of banks passing on their worst customers into the scheme. The scheme also involved too much State intervention in industry for the present Government during its first period in office.

Funds for the guarantees will be provided through Section 8 of the 1972 Industry Act—an interventionist vehicle which Sir Keith Joseph shunned on entering office but has increasingly turned to during the past year.

Talks are now being finalised with clearing banks on the scheme. It will be introduced as an experiment, possibly on May 1.

The aim will be to see whether there is a genuine lack of loans for small businessmen who are unable to provide sufficient personal security.

A businessman will go to his local bank or the Industrial and Commercial Finance Corporation for a loan in the normal way.

If the bank manager is not satisfied with his personal guarantees and security, the businessman will not immediately be turned away. Instead he will be offered a loan under the guarantee scheme if the bank considers his project viable under ground-rules which are now being negotiated. The bank's proposal will then be passed to the Department of Industry for approval.

The loans will range up to £75,000 for periods of two to seven years, and the Government will guarantee 80 per cent of each loan. It will charge a premium of 3 per cent which is intended to provide sufficient income to cover the cost of any failures, so making the scheme self-financing.

The Government had hoped to guarantee only 70 or 75 per cent of the loans. The intention was that the banks should carry sufficient of the risk to make sure they did not lend to non-viable projects. But the figure has been pushed up to 80 per cent by the banks during recent negotiations.

At the same time the banks have had to accept some involvement by the Industry Department. But Mr. John MacGregor, the Department's small firms' Minister who is to explain details of the scheme this afternoon, will stress that he will not be building a large bureaucratic machine to vet the banks' proposals. Instead only a small civil service staff will be involved.

The experiment will last for three years and a ceiling of £50m has been fixed for each year's total lending. Not all will be included. Banks themselves, insurance companies, and agricultural projects (which usually have land to offer as a guarantee) will probably be left out.

The second initiative which small business groups have been demanding for some time is the Business Start-up-Scheme. This is a first step towards the tax-free Small Firms Investment Company (SFIC) proposed by the Wilson Committee on Financial Institutions and called for recently by the CBI.

Unlike a SFIC, the scheme's tax concessions will only apply to private individuals investing in small businesses, thus excluding the middle-man, financial institutions and the small businessman himself.

Investors will escape income tax at the marginal rate on up to £10,000 a year invested in new independent companies or in businesses which have existed for less than three years. Each investment must not be less than £1,000 and must be committed for at least five years.

Two other measures in the Budget aimed at increasing the flow of funds into small businesses expand a venture capital scheme introduced by the Chancellor last year, and make it more attractive for redundant workers to invest their redundancy payments.

The venture capital scheme allows capital losses on individuals' shares in unquoted trading companies to be set off against income. This is being extended to cover losses made on companies' investments, and is partially aimed at encouraging large companies to help small businesses.

There has been a rapid expansion of such help in the past couple of years with large companies providing help through a variety of enterprise agencies and trusts.

Another concession which was called for by some lobbyists last year but was deferred for 12 months is aimed at helping industrial co-operatives and partnerships. Last year the Chancellor relaxed tax relief rules on interest borrowed to invest in close companies. He is now extending this to include partnerships and co-ops.

The remaining financial initiatives in the ten-point enterprise programme include a increase in the VAT threshold to £15,000, corporation tax changes, and concessions to encourage companies to purchase their own shares (as laid down in the current Companies Bill).

John Elliott

MEN AND MATTERS

No triumph for Norton

Sir Geoffrey Howe was not the only financially-minded gentleman to face sceptical cries and awkward questions yesterday. For over at the Chartered Insurance Institute, chairman Andrew Warburg and fellow-directors Melvin Perera and Peter Howland, each with a lawyer at his shoulder, confronted some 400 creditors in a heated post-mortem on the affairs of Norton Warburg Investment Management, whose parent, Norton Warburg Group, goes into voluntary liquidation with a total deficiency of £4.7m. NWIM has an estimated deficiency of £2.5m, and its assets are currently frozen pending legal action by various creditors. Pop group Pink Floyd, alleging a loss topping £2.5m, have issued a £1m writ against companies in the Norton Warburg group and their directors claiming "negligence and fraud," according to the musicians' lawyer.

The mood of the meeting was not improved by Warburg's apparent reluctance to offer much more than a "no comment" to the majority of his questioners. Invitations such as "Tell me, why can't I have my money back. Stand up and answer, I want Mr. Warburg to answer," were declined. He refused to comment on whether he accepted the report read to the meeting by solicitor David Freeman which said that clients' money had been transferred to the company in breach of agreements with clients.

Asked how a £113,000 interest-free loan to his wife Carol made in July 1980 and still not repaid could be described as a "bridging loan," Warburg answered that the sale of her house had fallen through. He hoped to see the loan repaid shortly. Similarly the £61,000 he borrowed from the company would be repaid when "a half-share in my parents' house is realised—it is all I have."

One pertinent query voiced was why Warburg, Perera and Howland had in January and February continued to draw their salaries. "Why, when you owe millions, did you pay yourselves before all the other creditors?" asked the voice from the floor. "Because we were going to the office each day," replied Warburg, "and we were working hard."

Chapter row

"No swearing and no smoking," cautioned chairman Philip Maynard as the Hay's Wharf development inquiry opened in Southwark's Chapter House yesterday.

But his efforts to maintain the ecclesiastical atmosphere of the hall rapidly dissolved under the handicap of Southwark Council's failure to install a public address system.

Opposition groups at the back shouted that they could not hear the witnesses. They, in turn, began to yell out their evidence. And the counter-pointed crescendo finally soard into a chaotic babel.

Maynard hoarsely called a break for lunch—and then the shouting match started again. One of the most vociferous protesters was persuaded to surrender his loud-hailer to a witness but it proved even less effective for communicating legalities than slogans.

Opponents did not succeed in adjourning the inquiry. But they did get the only clear message of the day across: a placard boldly but silently proclaiming: "London needs more offices like it needs another plague."

Firm advice

The success of the directors of Hornby Hobbies in buying their company from the receiver is a feather in the cap of modest young City corporate finance group Guidehouse, which advised the Hornby Board. The trains and Scalextric company went down with its parent Dunbee-Combex-Marx, which collapsed in February last year. Its board, led by managing director Karl Mueller, faced stiff opposition from rival buyers including former DCM managing director Richard Beecham.

Guidehouse started life last August, under the chairmanship of former N. M. Rothschild associate director David Michaels. Its directors include Stuart Thorn, grandson of Sir Jules Thorn, and City Business School lecturer Sue Birley, handling a portfolio of clients now totalling over 30 small to middling companies. It will soon be initiating an issuing house service with the flotation on the unlisted securities market of a North Sea oil services company, with others to follow.

Guidehouse specialises in advising management buy-outs. And while Hornby is the first to bring it to public notice, it is currently working on six more prospective deals of the same kind.

Buy-outs are usually "benign negotiations," says Michaels. Rather than plots being hatched by directors against their parent board, it is, he says, often the parent board which makes the initial approach, especially where a problematic subsidiary might be difficult to sell otherwise.

There is, says Thorn, "no shortage of business" in the buy-out area, a viewpoint born out by figures from ICFC, which financed 10 such deals in 1977-1978 but 49 in 1979-80, and by Michaels' view that Guidehouse will make reasonable profits in this, its first year.

Guidehouse is now owned by its directors, but the possibility remains that some shares will be placed with institutions to raise capital which would allow Guidehouse to invest in companies on its own account. The prospect of a quote remains a distant one, until the company has established a few years' track record.

Not his type

It is becoming clear to me that newspapers would be far more widely and attentively read if, instead of devoting themselves to pinpoint accuracy, they threw caution to the winds and let typographical gremlins run unfettered through their columns. The "bottle-scarred" Richard Crawshaw and the "defectives" of the British police force provoke an unstaunchable flow of kindred memories.

A Connecticut weekly newspaper, I am told, rendered an innocently-intended classified advertisement as follows: "FOR SALE — Slightly used farm wench. Phone 336. H Cartwright."

The following week, the inevitable correction issued forth. "Owing to an unfortunate error, Mr. Cartwright's advertisement last week was not clear. He has a winch for sale. We trust that this will put an end to the activities of jokers who have called Mr. Cartwright and greatly bothered his housekeeper, Mrs. Hargreaves, who loves with him."

Goaded beyond endurance, the spotless Mr. Cartwright duly secured insertion of his own rebuttal. "My winch is no longer for sale. I have put a sledgehammer through it. Do not call I have had the phone taken out. I am NOT carrying on with Mrs. Hargreaves who resides here solely in the capacity of housekeeper."

Observer

More short time at Hoover

Further short-time working in the three UK Hoover factories will be necessary, says Mr. M. R. Rawson, the chairman, in his annual review. "There is no doubt in my mind," he says, "that 1981 will be another difficult year."

The domestic appliances manufacturer is to continue with its rationalisation plans, and these will involve once-off costs which reduce profits in the short-term. Nevertheless, he adds, they are essential to ensure a healthy financial future for the company.

As reported on February 25, the company incurred a pre-tax loss of £2.75m (profit £1.86m) in the year to December 31, 1980.

Shareholders' funds were down from £94.09m to £88.78m. Bank balances and cash decreased from £1.36m to £515,000 and there was a fall in debtors from £44.75m to £36.35m.

On a CCA basis there was a loss of £12.29m (£5.53m), and the attributable loss on this basis is £13.66m (£6.41m).

Meeting, Greenford, April 2, 10 am.

PMA recapitalisation and accounts are qualified

PMA Holdings, the once rapidly expanding furniture manufacturing company, is being recapitalised following substantial asset sales, write-offs and a fall into losses in the first half of the current year.

Net tangible assets have declined from £2.25m at March 31, 1980, to £1.15m and the directors propose reducing the par value of the 6.37m issued ordinary shares from 25p to 10p and to raise £1m by way of an underwritten rights issue of convertible preference shares.

Also, the group's long delayed report and accounts for the year ended March 31, 1980 have been published and qualified by the auditors, Touche Ross, with respect to the adequacy of provisions for Harris Lebus, a domestic upholstery and cabinet furniture manufacturing company acquired in August, 1979, for 743,938 shares (then worth £0.8m).

In a letter to shareholders, Mr. Malcolm Meredith, the chairman, said that "your board has taken legal advice regarding the Harris Lebus acquisition and certain courses of action are under consideration."

A note to the 1979-80 accounts states that Harris Lebus "has incurred a substantial deficit which, in the opinion of the directors, is largely attributable to the period prior to acquisition. debtors and stock. At March 31, 1980, the balance of these provisions amounted to £1,353,000. As a result of these deficits and the substantial provisions required in Harris Lebus, there has arisen an amount of £2,409,000 in respect of goodwill which has been written off."

The auditors state that they "have been unable to assess the full reasonableness of these provisions although we are of the opinion that the directors have been reasonably prudent and that it is unlikely that the total of these provisions as March 31, 1980, will prove to be materially understated.

"We are, however, unable to assess with reasonable accuracy the elevel of these provisions at the date of acquisition of Harris Lebus and certain other allocations between the periods prior to and after acquisition."

PMA's pre-tax profit in 1979-80 was £569,000 (£402,000), well short of the more than £850,000 forecast by the chairman at the interim stage. Turnover was nearly trebled to £30.8m but interest charges rose more than seven-fold to £981,000. After £2.7m in extraordinary charges and £85,000 in dividend payments, the attributable loss was £2.27m or 38.4p a share.

During the year, the company acquired Ladyship International and Skelham, manufacturers of kitchen and bedroom furniture for a total of £5.2m, of which £4.6m was in cash. Skelham was sold shortly afterwards for £983,700.

Last week, as part of the group's programme to reduce borrowings, Ladyship was sold for £2.45m and two properties were sold for another £2.55m.

In the first half of the current year, turnover was £13.27m (£12.8m) and trading profit £353,000 (£785,000). Interest charges were £716,000 (£355,000) and there were £318,000 in exceptional costs in the current period arising from plant closures and reorganisation, leaving a pre-tax loss of £681,000 compared to a profit of £430,000.

Ladyship had pre-tax profits of £1.26m on turnover of £8.5m in the year ended on July 28, 1979, profit of £878,000 on turnover of £7m in the eight months ended on March 31, 1980 and profit of £17,000 on turnover of £4.3m in the six months ended on September 30, 1980.

Group borrowings stood at £8.8m on January 23 and are expected to fall to about £3m following the rights issue.

The chairman says that major steps have been taken to turn Harris Lebus round from its heavy losses at the time of acquisition.

All the group's plants are currently on full time and cutbacks have been implemented in all areas where little prospect of future orders can be seen.

The rights issue is of 1,115,293 10 per cent convertible cumulative redeemable preference shares of £1 on the basis of seven preference shares at par for every 40 ordinary shares held on March 6.

The preference shares will be convertible from 1982 to 1991 on the basis of four ordinary shares for each convertible share. They are redeemable on October 31, 1991.

It is the directors' intention that the conversion rate should remain the same whether or not the reduction in par value of the ordinary shares is approved by shareholders and confirmed by the court under section 66 of the Companies Act 1948.

The offer, which has been underwritten by Keyser Ullmann, expires on April 24. Mr. G. A. Naggar, a director of PMA, and Keyser Ullmann, which holds an aggregate 14.9 per cent of the ordinary shares of PMA, have undertaken to exercise their rights. The other directors of PMA do not intend to subscribe for any of the convertible shares.

The rights issue is subject to the approval of a resolution creating the preference shares and enlarging the ordinary share capital at an EGM on April 2. Shareholders will also be asked to alter the board's borrowing limits and to approve the reduction in par value of the ordinary shares.

Brokers to the issue are Sheppards and Chase.

Scottish American Investment Company revealed yestreday that it has acquired an additional 63,000 shares of PMA, making its holding 346,000 shares or 5.43 per cent of those issued.

● comment

Shareholders in PMA have had a rough ride since the 1979 peak of 132p and yesterday's reorganisation plan was not received with any enthusiasm. The shares fell 5p to 28p. After all the disposals, the group is left with the Bridgecraft high-quality furniture business, the low-end Lebus upholstery operation and the small dining room, cabinet and contract furniture divisions. Total remaining turnover is about £23m a year but profits at PMA, as elsewhere in the furniture industry, have been badly reduced and even after the rights issue proceeds, group borrowings will still be an unsettling one and half times shareholders' funds. Mr. Malcolm Meredith had an impressive record at PMA until taking on Harris Lebus and he seems eager to make up for that highly costly disaster. But the shares, including the preference shares in the rights issue, should be regarded as speculative.

Attempt to remove board at Stoddard

Hampton Corporation, a Panamanian registered company, is planning to call a special meeting to seek the removal of the board of Stoddard Holdings, Britain's second largest carpet manufacturer, in which it has a 13.5 per cent shareholding.

Stoddard, which last December acquired the UK carpet manufacturing operations of Guthrie Corporation, recently announced a turnround from a profit of £370,000 to a loss of £896,000 in the first half of the current year to November 30, 1980.

In a statement yesterday Hampton said it intends to request a special meeting "to put forth its views regarding the latest reported interim loss ... and the present management.

"It is our view that instead of Stoddard merging with the Guthrie carpet operations Stoddard should have been looking for a buyer of its own operations at a fair price for the benefit of its shareholders."

Hampton said it plans to propose that "present management resign forthwith and a new team be elected to the board."

The company said it was also planning to propose that a suitable buyer be sought to purchase the carpet operations.

Good start for Scot. Amicable's linked life

The entry of Scottish Amicable Life Assurance Society into the linked life market got off to a flying start when £5.6m was received from 1,500 applicants by noon on the first day of operation, February 26. This initial response is one of the best seen since the heyday of the linked life market in the early 1970s.

Nearly two-thirds of the money was invested in the Managed Fund, while almost one-quarter was invested in the equity fund. The response was particularly strong from Glasgow, where the company has its head office. Well over £1m was received from this city.

Since then the flow of business has been more in line with the company's expectations, with funds now around £7m.

TR Energy allotments

Applications for shares of TR Energy have been allotted as follows: applications for between 200 and 300 shares have been allotted 200 shares, applications for 400 to 600 shares have been allotted 300 shares; applications for 700 to 1,000 shares have been allotted 400 shares; applications for 1,500 to 2,500 shares have been allotted 500 shares and applications for 3,000 shares and more have been filled to approximately 20 per cent.

As announced on Monday, more than 8,750 applications for a total of over 17.75m shares were received for the 5m shares offered to the public. Another 5m shares were placed with institutions.

Reduced insurance rates and strong £ leave Sedgwick lower

AN INCREASE in brokerage for Sedgwick Group, the insurance and reinsurance broker and underwriting agent, has been offset by the effects of a general reduction in insurance rates and the continuing strength of sterling.

As a result, taxable profits for 1980 dropped from £47.47m to £41.57m, in spite of an encouraging amount of new business having been acquired worldwide. Revenue, excluding insurance companies' results, rose from £129.79m to £135.09m, while the pre-tax figure included lower profits of £2.43m (£3.28m) from these activities.

First-half profits before tax, which excluded insurance companies' results, had fallen from £25.3m to £22.9m.

Tax for the year took £19.96m, against £23.3m, and earnings per 10p share were down from 11.4p to 10.1p. The dividend total, however, is being put at 5p net with an unchanged final of 3p.

Despite higher rates, interest earnings for 1980 were somewhat lower than in the previous year because of a fall in the level of cash balances.

This was mainly the result of new acquisitions and other capital expenditure in the UK and of a significant reduction in insurance funds, which reflected current adverse claims experience of underwriters and a slowdown in cash movements.

Net earnings dropped from £23.2m to £20.86m over the year. Minorities accounted for £90,000 (£119,000) and extraordinary debits totalled £655,000 (£843,000).

Expenses rose from £85.5m to £96m, including some £1.2m of non-recurring property costs incurred as a result of relocating staff and rationalising accommodation following the merger.

● comment

Budget day figures from Sedgwick Group, the largest UK insurance broker, were about £3.5m below the pre-tax profit projected by most analysts, and 12 per cent below the figures of the previous year. Sedgwick Group is the first broker to kick-off the results season and their figures bode ill for the rest of the sector. Unlike most brokers Sedgwick has a firm control on its expenses which have shown an overall rise of just over 12 per cent including non-recurring costs, compared with a rise of 14.5 per cent in the previous year. And efficiency measures, notwithstanding an ambitious building programme, some increase in staff through acquisitions, and an acquisition programme costing over £2m, seem to be making an impact. However, sterling-dollar parities and other currency movements have lopped off about £4m at the pre-tax level, while sluggish cash movements between producers of business, and underwriters settling claims have had an adverse impact on performance. The group could recover to £44m the current year. At 121p down 9p, the shares yield over 6 per cent on a historic p/e of 12.3

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
G. H. Downing ......int.	3	April 22	2.75	—	8.75
Link Hse. Pblctns. int.	3.2	April 24	2.8	—	8.4
Rosedimond Inv. Tst. ...	3	April 30	2.57	6.5	5.95‡
Sedgwick Group	3	April 30	3	5	5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Special dividend of 0.88p added.

Yearlings down

The interest rate for this week's issue of local authority bonds is 12½ per cent, down ¼ per cent from last week. The bonds are issued at par and are redeemable on March 17, 1982.

A full list of issues will be published in tomorrow's edition.

MR. ROSS SELLS HIS CHAMBERS SHARES

Mr. Harvey Michael Ross has disposed of his remaining balance of 160,500 5p ordinary shares in Chambers and Fargus.

The directors intend to hold a Board meeting on March 23, at which they intend to announce and consider the unaudited results for the six months to December 31, 1980.

Bertrams set for break-even in first half

Mr. A. T. Montgomery, the chairman of Bertrams, the Scottish paper and board machinery manufacturer, says in his annual report that following steps taken to reduce expenses, he expects the company to achieve a near break-even position in the half-year to end-March.

However, he adds that it is impossible to forecast what might happen in the second six months. If orders are placed quickly for some of the contracts the company is currently seeking, he says, the group could achieve approximately the same turnover during that period as in the first half and hopefully the company may be able to maintain a position where it can avoid further losses.

As to further prospects, the chairman says these must depend entirely on the speed with which recovery in the home market and an improvement in the company's competitive position in export markets can be achieved.

As announced on January 29, Bertrams fell into the red in the 12 months to September 28, 1980, incurring a taxable loss of £194,401, compared with a profit of £85,658, despite a rise in turnover from £3.42m to £4.29m. The dividend for the year was omitted—the previous year an interim of 1p net was paid but there was no final.

At year-end, shareholders' funds stood at £876,139 (£1.02m), short-term deposits at £130,000 (£188,000) with the bank overdraft lower at £145,895 (£162,444).

Meeting is at Edinburgh on March 31, at noon.

Link House profits static: interim up

DESPITE half-year taxable profits remaining virtually static at £2.2m, compared with £2.14m, *Link House Publications* is raising its interim dividend from 2.8p to 3.2p net. Last year the Dorset-based group paid a final of 5.6p from pre-tax profits of £4.2m.

The surplus for the six months to end December, 1980, however, was struck after exceptional expenditure of £39,000 (nil) being the launch costs of the new magazine title Rio. The first issue will appear on March 13 and launch costs in the current year—to be financed from profits—will be approximately £420,000.

Sales improved from £10.49m to £11.8m and investment income rose by £59,000 to £279,000.

After tax of £1.14m (£1.11m) and an extraordinary credit of £13,000 (£302,000 debit) stated earnings per 20p share were slightly higher at 8.8p, against 8.6p.

Attributable profits showed a rise from 724,000 to £1.07m, of which interim dividend payments absorb £384,000 (£336,000).

The directors state that trading in the third quarter has commenced at a satisfactory, if not buoyant, level.

They say that Exchange and Mart Publishing continued to trade satisfactorily in the first half but Blandford Books is experiencing extremely difficult trading conditions and will incur further losses in the current year.

In the Link House Communications division, further investment is being made in viewdata activities. However, the company's proposed investment of £500,000 in the West Country Television consortium will not take place as the consortium failed to secure the IBA regional contract.

● comment

Exchange and Mart continues to be Link House's major profit earner and with its sister publications account for more than three quarters of group profits. Recession had hit E & M's classified volume, down around 5 per cent in the six month period; displays are up, however, 8 per cent. The Blandford Book business is undoubtedly hurting and may have made a first-half loss of around £150,000 against £33,000 for the whole of last year. However, the second-half may well break even, so the worst seems past. Sales figures should arise by year-end because of a cover price rise of 10 per cent at E & M as well as a 15 per cent rise in display advert rates. The launch of "Rio," a new romantic fiction monthly, will cost Link House a fair sum this year, but year-end pre-tax profits should still be around £4.4m, producing a fully taxed prospective p/e of 12.3. At 220p yesterday the shares could yield 6.6 per cent on a 10p net for the full year.

£10m loan for Commonwealth Holiday Inns

Finance Corporation for Industry has made a £10m "droplock" loan available to Commonwealth Holiday Inns of Canada. The loan is due for repayment between 2002-2005 and will initially carry a variable interest rate linked to LIBOR.

Commonwealth Holiday Inns of Canada operates eight UK Holidays in London and other provincial locations under licence from Holiday Inns Inc.

The finance has been obtained to support the current development programme. The "droplock" loan from FCI offers automatic conversion from a variable to a fixed interest rate at any time during the early years of the loan, in the event that long-term fixed interest rates fall to a selected level by Commonwealth Holiday Inns.

BROCKS FIREWORKS

Brocks Fireworks, a private company, has issued a statement to make it clear that it is not connected in any way with the publicly quoted Brocks Group of Companies, the Dorset-based electronics concern which was recently put into receivership.

Brocks Fireworks is based in Swaffham, Norfolk, with its main manufacturing operation carried on at Sanquhar in Dumfrieshire. Its principal activities are the manufacture of fireworks, cracker snaps and industrial military and agricultural pyrotechnics.

SPAIN

March 10	Price %	+ or −
Banco Bilbao	287	+4
Banco Central	328	+6
Banco Exterior	258	
Banco Hispano	272	+5
Banco Ind. Cat.	126	
Banco Madrid	141	
Banco Santander	322	+1
Banco Urquijo	181	−2
Banco Vizcaya	[illegible]	+2
Banco Zaragoza	[illegible]	
Dragados	[illegible]	+6
Espanola Zinc	[illegible]	+1
Fecsa	[illegible]	+0.8
Gal. Preciados	[illegible]	
Hidrola	[illegible]	+0.8
Iberduero	57.5	+0.2
Petroleos	81.2	+2.2
Petroliber	70	
Sogefisa	87	−2
Telefonica	61	
Union Elect.	65.5	+1.0

Nat. Mutual lifts bonuses

SUBSTANTIAL INCREASES in reversionary bonus rates for the two years to December 31, 1980 have been announced by the National Mutual Life Assurance Society. The company has improved its rates by 60p to £5.10 per cent of the sum assured and attaching bonuses for whole life and endowment assurances. For individual and self-employed pension contracts, the rate is £6.20 per cent of the basic benefit and attaching bonuses.

This declaration takes the bonus rates to their highest ever levels. Mr. Ken Hazell, the society's actuary and deputy general manager, said that it reflected the success of the society's investment policy and the portfolio balance of with- and without-profit business.

The company has already lifted its final bonus rate, paid on death and maturity claims, to a record 40 per cent of attaching bonuses for claims this year.

Unchanged rates of reversionary bonus for 1980 have been declared by the Life Association of Scotland, a member of the Dutch insurance composite Nationale Nederlanden Group. Thus the rate for all assurances under the compound series will be maintained at £4.50 per cent of the basic benefit and attaching bonuses, while under new code and self-employed pension policies the rate is kept at £4.75 per cent compound. On the simple bonus series, now closed to new entrants, the rate is kept at £5 per cent of the basic benefit. Other reversionary bonus rates are maintained.

But the company is increasing the rates of capital bonus paid on death or maturity or when pension contracts vest to record levels. For the compound bonus series the rate is lifted from 10 per cent to 20 per cent of attaching bonuses, while on the simple bonus series it is improved by a similar amount to 35 per cent of attaching bonuses.

ASDA RIGHTS

Acceptances have been received in respect of 92.5 per cent of the 30.165m ordinary shares of Associated Dairies Group offered in a rights issue in January.

Queens Moat forecasts improvement

Results for 1980 at Queens Moat Houses will show a significant improvement over 1979 despite high interest rates and the current economic recession, says Mr. John Bairstow, chairman and joint managing director.

Writing in a circular regarding acquisitions and disposals, already announced, he says the directors aim to continue the company's expansion by the acquisition of suitable hotels and the extension and upgrading of existing hotels.

NARBOROUGH

Taxable profits of Narborough (F.M.S.) Rubber Estate slipped from £114,407 to £105,335 for the half year to December 31, 1980.

For the last full year, the company, which owns estates in Malaysia, made pre-tax profits of £220,000 and paid dividends totalling 2.1p per share.

R. GREEN PROPS.

Reported pre-tax profits of R. Green Properties were £1.34m for the year ended June 30, 1980. This was £0.2m higher than the adjusted figure shown in yesterday's report.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hill, Samuel	§14 %
Allied Irish Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Hongkong & Shanghai	14 %
Amro Bank	14 %	Keyser Ullmann	14 %
Henry Ansbacher	14 %	Knowsley & Co. Ltd.	16 %
AP Bank Ltd.	14 %	Langris Trust Ltd.	14 %
■ Arbuthnot Latham	14 %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Mallinhall Limited	14 %
Banco de Bilbao	14 %	Edwards Manson & Co.	15 %
BCCI	14 %	Midland Bank	14 %
Bank of Cyprus	14 %	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½%	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Rossminster	14 %
Bremar Holdings Ltd.	15 %	Ryl. Bk. Canada (Ldn.)	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	14 %
Canada Perm't Trust	15 %	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	Twentieth Century Bk.	14 %
Choulartons	14 %	United Bank of Kuwait	14 %
C. E. Coates	14 %	Whiteaway Laidlaw	14½%
Consolidated Credits	14 %	Williams & Glyn's	14 %
Co-operative Bank	*14 %	Wintrust Secs. Ltd.	14 %
Corinthian Secs.	14 %	Yorkshire Bank	14 %
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	¶14 %		
■ Hambros Bank	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

Deterioration in demand hits Manganese Bronze

A SHARP deterioration in demand since last summer has been experienced by most divisions of Manganese Bronze Holdings, and the company incurred a pre-tax loss of £637,000 in the first half to January 31, 1981. In the corresponding six months there was a profit of £185,000.

Turnover fell from £18.87m to £15.84m. In the last full year, pre-tax profits were £734,000 from turnover of £36.68m.

Apart from the fall-off in demand, redundancy and termination payments, net of Government reimbursement, accounted for £231,000 this time, and interest paid less received totalled £406,000 (£501,000).

Mr. Dennis Poore, the chairman, says suppliers to the motor industry and those engaged in the gun trade have been presented with the greatest problems. In contrast the ferrous foundries, attracting customers from a wider field, are both in a sound position.

BSA Precision Castings has reported good six-month figures, which are excellent in the circumstances, he says.

Company policy will necessarily continue to be concentrated mainly on the preservation of liquidity in preference to a search for profit, which may be fruitless under present conditions.

As yet, he adds, there is little sign of any change in the economic climate in industry. However, unless it worsens, the second half, which historically has frequently been better than the first, is expected to show some small improvement flowing from the economies made, the cost of which has already been met.

The group has a 49.9 per cent interest in Norton Villiers Triumph.

Lonsdale margins squeezed

HIGH UNEMPLOYMENT is contracting the group's principal markets in office stationery and equipment and causing both reduced demand and smaller margins, Mr. N. Ramseyer, the chairman of Lonsdale Universal tells shareholders in his annual report.

He says the pattern is similar in the company's printing markets where the strength of sterling has increased competition from overseas producers and created surplus capacity within the UK.

The chairman points out that reductions in local authority spending have also lowered demand for books by UK libraries—although export demand for technical and educational publications remains steady.

Overseas, Mr. Ramseyer says the Australian bookselling subsidiaries trade in rather better conditions. However, he says that after their recent rapid progress, a period of consolidation is likely—particularly as their own operating costs increase steadily. But the future is very promising, the chairman adds.

As reported on January 30, group pre-tax profits for the year to end-September, 1980, fell from £1.45m to £529,000 and the final dividend was omitted, leaving the total at 1.55p net, compared with 5.1729p. Turnover was £3.05m higher at £39.94m.

At that time the chairman said forecasts for the first half of the current year suggest that trading profits will be similar to those in the second half of last year (down from £614,000 to £117,000), but with continued high interest rates.

On a CCA basis the historical profit is reduced to £517,000 (£1.06m).

At year-end, shareholders' funds stood at £4.8m (£6.89m) and bank overdrafts were £762,000 (£320,000).

The ITC Pension Trust and ITC Pension Investments were together interested in 583,500 (6.5 per cent) of the company's shares at February 6, 1981.

Meeting is at the Great Eastern Hotel, EC, on April 2, at noon.

Scottish Mutual cautious on equities

THE RECESSION in British industry caused the Scottish Mutual Assurance Society to adopt a defensive attitude towards equity investment last year. Professor T. Wilson, in his chairman's review accompanying the 1980 report and accounts, says the Society undertook selective sales of equities over the second-half of the year, once the equity market had peaked.

Investment was concentrated in high yielding fixed interest securities, which Professor Wilson, points out, should provide an attractive return for policyholders as the inflation rate falls.

At the end of the year, the market value of the portfolio stood at £326m, against £253m at the beginning. The value of fixed-interest holdings has moved from £80m to £130m—nearly 40 per cent of the portfolio at end 1980. Equity holdings, however, fell in value from £92m to £82m and accounted for 25 per cent at the year end. Property holdings moved from £36m to £48m. The excess over book value was £69m.

Premium income last year rose by nearly 12 per cent from £36m to £41m and investment income by over 25 per cent from £23m to £29m. Claims were over 25 per cent higher at £17.5m, while expenses were 15 per cent higher at £8.4m. The long-term business fund stood at £368m at the end of 1980 against £225m at the beginning.

Professor Wilson refers to the reduced demand last year for endowment contracts to repay mortgages, in the wake of the lower house purchase activity. He criticises those advisers who insist that an endowment is a costly method of redeeming a house mortgage. If proper planning and advice are given to housebuyers, endowments can be a most advantageous means of repayment, he states.

Securicor expects to maintain profit

Mr. Peter Smith, the chairman of Securicor Group, tells shareholders in his annual report that provided there is no further serious downturn in the general commercial climate, results so far in the current year give cause for optimism that the level of profit for the full year will be maintained—with some prospect of improvement.

However, he says that with so many of the group's major customers suffering a serious erosion of their prosperity, competitive pressures will remain severe.

As reported on February 19, taxable profits of the company improved in the 12 months to September 26, 1980, from £6.93m to £7.94m—a rise of 14.6 per cent. Turnover was over £32m higher at £174.5m and the total dividend is being stepped up from 1.47p to 1.61p net with a final of 1.11p.

Security Services, its 52 per cent-owned listed subsidiary, returned pre-tax profits of £6.23m (£5.36m).

At year-end, shareholders' funds stood at £21.92m (£18.55m) and bank and deposit balances were £8.67m (£5.33m). Bank overdrafts and short-term loans were £1.98m (£1.73m).

Since the end of the financial year the group has set up its own travel agency, Phoenix World Travel, in partnership with the Travel Transportation and Tourism group of companies.

Meeting, Hyde Park Hotel, SW, April 1, 12.10 pm.

Strong growth by Pirelli Cable Works

BENEFITING FROM reduced overseas installation losses and improved productivity, pre-tax profits of Pirelli General Cable Works for 1980 jumped from £2.43m to £5.98m, on turnover ahead from £108.89m to £123.9m.

The directors report that the full effects of UK recession were alleviated by a strong export performance, achieved despite the strength of sterling.

Profits for the year were struck after depreciation of £2.8m (£2.72m) and interest of £2.84m (£2.15m). Tax for the period took £760,000 (£1.51m credit) and £3.28m (£2.91m) was retained.

Final dividends total £750,000, making £1.25m (£1m), and it is proposed that £750,000 of profit be capitalised and distributed to holders as fully paid shares.

RESULTS AND ACCOUNTS IN BRIEF

AARONSON BROTHERS (manufacturer of laminates, veneers, boards)—Results for year to September 31, 1980, already known. Shareholders' funds £17.25m (£18.75m). Bank overdrafts £3.08m (£2.65m). Meeting: Savoy Hotel, WC, March 31, noon.

RIVER PLATE AND GENERAL INVESTMENT TRUST COMPANY—Results for the year to end-December, 1980, already known. Investments at cost £12.62m (£10.73m) — valuation at year-end £22.81m (£17.6m), short-term loans £1.1m (£150,000). The following shareholdings in the deferred are shown in the accounts: Sun Life Assurance Society 829,240 (10.61 per cent); London Trust Company 548,500 (7.02 per cent): Commercial Union Assurance Company 520,000 (6.65 per cent): Pearl Assurance Company 515,000 (6.59 per cent): and River and Mercantile Trust 500,000 (6.4 per cent). Meeting: 44, Bloomsbury Square, WC, March 26, 11.15 am.

MOORSIDE TRUST—Results for 1980 reported February 12. UK quoted investments £9.86m (£10.75m). Overseas £9.78m (£4.41m). Unquoted £0.98m (£0.65m). Unrealised appreciation on investments £3.97m (£1.19m). Ordinary shareholders' interests £17.21m (£12.57m). Meeting: 44, Bloomsbury Square, WC, March 25, at 10.30 am.

NEWBOLD AND BURTON HOLDINGS (ladies' footwear) — Results for year ended December 31, 1980, already known. Shareholders' funds £3.05m (£2.97m). Bank and cash balances £111,000 (nil). Bank overdraft nil (£383,000). CCA pre-tax profit £239,000. Meeting, Sileby, Leicester, March 25, 11 am.

THROGMORTON TRUST—Results for year ended November 30, 1980, reported January 29. Shareholders' funds £54.03m (£44.33m), deposits at call and short term notice £716,000 (£3 81m) Meeting: 25, Milk Street, EC, March 25 at 12.30 pm.

YEOMAN INVESTMENT TRUST — Results for 1980 already known. Shareholders' funds £18.84m (£15.4m). Investments £19.82m (16.51m). Meeting: 1, Brewer's Green, Buckingham Gate, SW, March 31, 11 am.

UNITED STATES AND GENERAL TRUST CORPORATION—Results for year to December 31, 1980 already known. Investments £10.34m (£9 28m) and at market value £27.61m (£20.85m). Meeting, 122 Leadenhall Street, EC, March 26, at 2.30 pm.

WEST COAST AND TEXAS REGIONAL INVESTMENT TRUST—Results for the year to end-December, 1980, announced February 19. Investments listed on foreign stock exchange £2.39m (£1.92m), UK investments £436,016 (£663,054). Net assets at year end were 95p (79.7p). Up to February 18, 1981, the following shareholdings in company are shown: Colonial Mutual Life Assurance Society and its subsidiary Colonial Mutual Life (Pension Annuities), 582,500 shares (19.4 per cent): Sun Alliance and London Assurance Co. 250,000 (8.3 per cent): and Granville Investment Trust 200,000 (6.7 per cent). Meeting: 67, Lombard Street, EC, March 26, 12.30 pm.

SCOTTISH UNITED INVESTORS — results for the year ended December 31, 1980, reported February 21, 1981. Investments £129.33m (£99.12m). Shareholders' funds £115.85m (£87.68m). Bank deposits and current accounts £1.24m (£2.05m), parallel loan nil (£4m). The accounts show Prudential Corporation holds 7.04m ordinary shares (6.3 per cent) and Scottish Widows Fund and Life Assurance holds 6.55m (5.9 per cent). Meeting: Glasgow, March 27, 10.45 am.

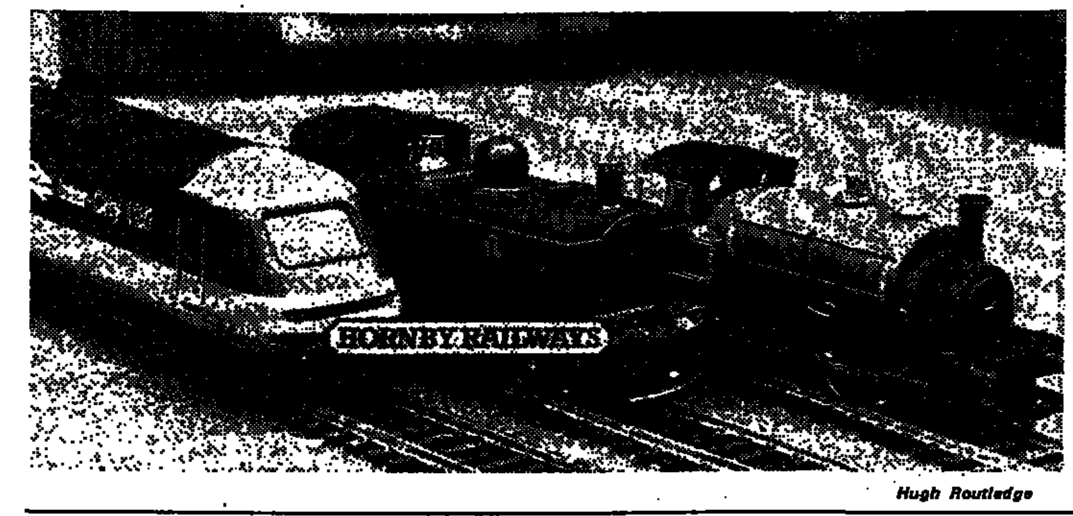
CHILD HEALTH RESEARCH INVESTMENT TRUST — Results for period January 30, 1980 to December 31, 1980. No comparisons as first period of operation. No ord. dividend. Pre-tax profit £34,424. Tax £13,452. Net asset value 159.1p Whole of income payable to holders of £200,000 loan notes—total paid £60,857 including tax credit. This is equivalent to annualised return of 33.2 per cent.

WESTERN SELECTION AND DEVELOPMENT COMPANY (finance company)—Results for the year to end-September, 1980, announced February 26. Shareholders' funds £3.95m (£3.4m), listed investments at cost £1.59m (£1.81m) — market value £1.88m (£1.98m). The directors are confident that group should at least maintain its position in the year ahead. Accounts show that East Rand Consolidated has an interest in 3.33m of the company's shares (44.8 per cent). Meeting, 25-35 City Road, EC, March 26, noon.

PLEASURAMA (entertainments and amusements)—Results for year ended September 30, 1980, reported January 9. Shareholders' funds £13.69m (£7.69m). Bank deposits and other balances £2 42m (£1.74m): overseas bank borrowings (secured) £48,534 (£14,925). Valuation of certain UK properties produced net surplus of some £4m. Chairman says trading is satisfactory and he is confident that company is doing everything possible to meet requirements of current economic circumstances. Grand Metropolitan holds 78 69 per cent of equity. Meeting, Churchill Hotel, W., March 31, 10.30 am.

HIRST AND MALLINSON (catering equipment, business systems, pharmaceuticals)—Results for year to Nov. 1, 1980 and prospects reported Feb. 14 in full preliminary statement. Shareholders' funds £1.43m (£2.49m). Net loan capital £210,800 (£520,000). Cash £680,300 (£863,400). Bank loans and overdrafts £321,900 (£618,700). Grovewood Securities holds 28.61 per cent of issued ordinary shares. Meeting, Leeds March, 27, 11.30 am.

ROMNEY TRUST—Results for the year to December 31, 1980, reported February 24. Investments at market valuation listed in the UK £23.24m (£21.42m). Listed overseas £19.59m (£13.18m). Unlisted at directors' valuation £4 37m (£2,39m). Meeting, 21, Moorfields, EC, on March 27 at 2.30 pm.



Hugh Routledge

Bosses and workers win control of Hornby

BY REG VAUGHAN

THE MANAGEMENT and workforce of Hornby Hobbies, which makes Hornby model trains and Scalextric car racing circuits, yesterday emerged as the successful bidders for the company which has been in the hands of the receivers for the past year.

Mr. Paul Shewell and Mr. George Cockerell, of Coopers and Lybrand, were called in last February when Hornby's parent, Dunbee-Combex-Marx, one of Britain's largest toy groups, collapsed with debts of over £18m.

The receiver was believed to be looking for a price for Hornby in the £12m to £15m range. Although no price was disclosed yesterday, it is understood that it was in the upper range of estimates.

Hornby, headed by managing director Mr. Karl Mueller, is backed in its bid by an impressive list of City institutions put together by Guidehouse, a financial advisory group and issuing house.

Among the backers are Citicorp Development Capital, the venture caiptal arm of Citibank, the U.S. financial group; Electra Investment Trust, pioneer investors in small private and public companies; S.S. Assurance, a life company; and Sumit Fund, which is backed by leading insurance companies including Legal & General and Sun Life Assurance and also Touche Remnant.

The main opposition to the Hornby management's bid is thought to have come from Mr. Richard Beecham's Tamwade group. Mr. Beecham, a former joint managing director of the old DCM group, has already acquired four of the former subsidiaries of DCM backed by a consortium. These companies include Burbank Toys, Combex, and Pedigree Dolls and Toys which makes the Sindy fashion doll.

Mr. Mueller said yesterday that after the shock of receivership he had set out, with the backing of the 1,300 employees, to collect together funds prepared to back the company. This proved a very difficult task, he said.

But the Guidehouse institutions were prepared to back the company on the basis of its performance and future prospects. No changes in the structure of the group are planned and employees will be invited to participate as investors once the details of the sale have been settled.

In 1980, Hornby Hobbies had a turnover of some £17m and produced profits of around £600,000. Mr. Mueller expects the trading experience in 1981 to be somewhere between 1979 and 1980.

Bristol meeting blocks ANG bid

BY ALAN FRIEDMAN

SHAREHOLDERS in the Bristol Evening Post (BEP) voted narrowly yesterday to block a £7.8m takeover bid by Associated Newspapers (ANG). At a special meeting called to consider rescinding a 1966 agreement which prevents ANG from increasing its stake in BEP above its current 23.8 per cent, shareholders voted instead in favour of an amended proposal from Mr. Andrew Breach, chairman of BEP.

By a vote of 1.84m against 1.79m, BEP shareholders have approved the amendment resolution which says that if the 1966 agreement is varied, it should not be done solely for the benefit of Associated. The approved resolution effectively gives the Bristol board the discretionary power to decide whether or not to overturn the 1966 agreement.

Mr. Breach had already characterised the 190p cash offer per share from Associated as "opportunistic and inadequate." In a letter to shareholders last month, the BEP board said that the January 26 offer had "no technical merit; carries no advantages for employees; and is contrary to the spirit of monopolies legislation about newspapers."

Nevertheless, the Government had said the bid was not referrable under the Fair Trading Act.

Last night Mr. James Rutley of BEP advisers Kleinwort Benson said he and the board were "delighted by the results of the vote." He promised that BP would continue to "work vigorously" for shareholders' interests.

Lord Rothermere, chairman of Associated Newspapers, said he was "very disappointed" and characterised the Bristol vote as a "narrow shave."

"We obviously cannot now make a bid," he explained, and added that ANG would go into "deep consultation" about its future course of action.

Lord Rothermere also said: "I think the shareholders may live to regret this, particularly when the next half-year results come out. The performance of the company has not been good."

He said that the Bristol performance, when compared to other provincial papers, had been "terribly bad."

Yesterday's vote brings to a conclusion the six-week long bitterly contested bid and means that the Bristol Board will, in future, be able to decide what it wishes to do about altering the 1966 agreement with Associated.

Owen Owen purchasing subsidiary's minority

Owen Owen has agreed to purchase the minority interest in its Canadian subsidiary G. W. Robinson held by Hudson's Bay Company. The purchase stems from those provisions of the 1972 Robinson shareholders' agreement between the two companies, which became effective on HBC's change of control.

The HBC minority interest consists of common shares representing 49.9 per cent of Robinson's issued capital. The consideration for the purchase is £2.35m in cash payable in full on completion on April 7, 1981.

The consideration will be provided from existing group resources and borrowing facilities.

The Owen Owen group accounts already consolidate the Robinson accounts. For the 53 weeks to January 31, 1981, Robinson is expected to contribute approximately £575,000 to group profits before tax: the amount attributable to the HBC minority interest being acquired would be £287,000. The book value of the net assets attributable to that interest is estimated at £2m.

The purchase of the HBC shares in Robinson will give Owen Owen full participation in the improvement in profitability which is expected to arise during the next few years from the recent heavy investment programme in new Robinson stores.

The profits of the Owen Owen group for the 53 weeks to January 31 1981 (to be announced in April) are expected to be reasonably satisfactory in the existing difficult economic conditions.

92.9% accept JRII offer for Sizewell

The recommended offer by J. Rothschild International Investments S.A. (JRII) for the Sizewell European Investment Trust has been accepted as to 7,430,617 ordinary shares representing 92.9 per cent of Sizewell's equity. The offer has been declared unconditional as to acceptances.

Holders of 4,360,675 ordinary shares have indicated that they will receive shares of JRII, while holders of 3,069,942 shares have elected to receive cash. The cash option will close on the day on which the offer becomes unconditional in all respects.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims: J. Jarvis, Maynards.

Finals: British Aluminium, William Collins, London and Manchester Assurance, Thomas Robinson, Tube Investments, Turner and Newall, Ultramar, F. W. Woolworth.

FUTURE DATES

Estates and Agency	Mar. 20
Howden Group	Mar. 26
Scottish Metropolitan Property	Apr. 7
Interims:	
Burgess Products	Apr. 2
Finals:	
BBA	Mar. 26
BSR	Mar. 18
Bowater	Apr. 9
Bronx Engineering	Mar. 17
Conder International	Mar. 19
Hurst (Charles)	Mar. 27

Initial plans to merge offshoot with Decroix

Initial Services, the hire and replacement services and cleaning group, is planning to merge its Paris-based textile rental subsidiary, La Serviette de Toilette Franco Americaine with Decroix.

Under the deal—which is subject to approval by the authorities—Initial will have a 35 per cent interest in the restructured French holding company (to be renamed SA De Croix) with the remaining 65 per cent interest held by the Decroix family.

La Serviette is engaged in textile rental in Paris and North Western France, but also has additional interests in the manufacture and marketing of high quality furnishing fabrics.

ENERGY FINANCE SHARES SOLD

Mr. E. D. Barkway and Mr. J. V. Woolam, both directors of Energy, Finance and General Trust Holdings, have sold their 50,000 and 15,142 respective shareholdings in the company. The shares have been transferred to a company in which they both have a substantial equity investment.

GREATERMANS DENIES HOLDINGS

Greatermans Stores states that it has no shares in either the Austin Reed Group or Aquascutum and Associated Companies.

Greatermans also states that it has made no approach either formally or informally to the board or major shareholders of either company.

CO-OP BANK OFFER

The Co-operative Bank offer for F. C. Finance has been made fully unconditional. Acceptances have been received for 1,046,094 shares (80.53 per cent of shares for which offer was made). The offer remains open.

EUROPEAN OPTIONS EXCHANGE

Series		Mar. Vol.	Last	June Vol.	Last	Sept. Vol.	Last	Stock
GM C	$50	24	3	46	1	—	—	$52¼
GM C	$60	—	—	5	2¼	—	—	
SEAR C	$15	—	—	5	2½	—	—	$17
		April		July		Oct.		
ABN C	F.260	2	31A	—	—	—	—	F.286
ABN C	F.280	—	—	1	15.50	—	—	
ABN C	F.300	6	2.60	8	6.50	—	—	
AKZO C	F.17.50	5	1.20	—	—	35	3.10	F.18.40
AKZO C	F.20	15	0.50	199	1.30B	43	1.80	
AKZO P	F.17.50	—	—	10	0.70	—	—	
AKZO P	F.20	10	1.60	10	1.80	—	—	
KODA C	$70	11	11¼	—	—	—	—	$79¼
KODA C	$80	11	4¼	2	7¼	1	4.60	
HEIN C	F.50	—	—	—	—	—	—	F.56.40
HEIN C	F.55	10	2.70B	1	3.70B	—	—	
HEIN P	F.55	7	1.30A	2	3.20	—	—	
HEIN P	F.60	2	4.50A	—	—	—	—	
HOOG C	F.15	—	—	10	2.80	—	—	F.17.70
IBM C	$65	7	1½	—	—	—	—	$63½
KLM C	F.55	—	—	5	28.70B	—	—	F.83.70
KLM C	F.60	22	23.70B	5	24	—	—	"
KLM C	F.65	5	18.70B	—	—	—	—	"
KLM C	F.70	192	13.70B	91	15	—	—	"
KLM C	F.80	181	5	95	8.30	16	9.10	"
KLM P	F.60	8	0.10	—	—	—	—	"
KLM P	F.65	10	0.20	10	1.20	—	—	"
KLM P	F.70	46	0.70	18	2	—	—	"
KLM P	F.80	41	3.50	3	4.80	15	5.90	"
NATN C	F.120	3	5.20A	2	8.20A	—	—	F.124.50
NATN C	F.130	—	—	—	—	3	3.50	"
NATN P	F.125	2	2	—	—	—	—	"
PHIL C	F.15	10	3.40	—	—	—	—	F.18.30
PHIL C	F.17.50	15	1	61	2.20	—	—	"
PHIL C	F.20	100	0.30	101	0.80	178	1.20	"
PHIL P	F.17.50	—	—	15	0.80	—	—	"
PHIL P	F.20	3	1.80B	7	2.20	—	—	"
POLA C	$20	—	—	—	—	10	8¾	$27
POLA C	$25	3	3	—	—	—	—	"
POLA C	$30	10	0¾	1	2½	1	3	"
RD C	F.90	46	10.50	—	—	—	—	F.99.80
RD C	F.100	110	3.40	33	5.50	17	7.50B	"
RD C	F.110	43	0.70	119	2.20A	43	4.20	"
RD C	F.120	—	—	80	0.80	—	—	"
RD P	F.85	10	0.20	—	—	—	—	"
RD P	F.90	473	0.40	—	—	—	—	"
RD P	F.95	354	1.30	55	3.20	—	—	"
RD P	F.100	251	3.20	54	5.40	2	9	"
RD P	F.110	26	10.80B	5	13	2	17	"
UNIL C	F.150	1	4.50	—	—	—	—	F.132
		May		Aug.		Nov.		
BOEI C	$35	2	2⅜	—	—	—	—	$35½
BASF C	DM.130	—	—	—	—	1	4.50	DM.127
MANN C	DM.130	30	2.70	—	—	—	—	DM127.50
SIEM C	DM.260	—	—	—	—	2	8	DM251.80
SIEM C	DM.280	—	—	5	2.50	—	—	
SLUM C	$110	—	—	2	10⅛	—	—	$105⅛
SLUM C	$120	—	—	1	6⅛	—	—	
VW C	DM.160	—	—	3	3.50	—	—	DM162.80

TOTAL VOLUME IN CONTRACTS 3675

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

(Mar. 10 Total contracts 1468)

Option	Ex'rcise price	April Closing offer	Vol.	July Closing offer	Vol.	Oct. Closing offer	Vol.	Equity close
BP	360	48	1	—	—	—	—	404p
BP	390	24	20	39	4	60	2	"
BP	420	9	34	25	18	46	—	"
BP	460	3	10	13	40	—	—	"
BP	500	1	78	7	—	—	—	"
Com. Union	130	27	—	31	2	35	—	155p
Com. Union	140	17	3	23	—	29	—	"
Cons. Gold	420	38	49	55	—	65	—	445p
Cons. Gold	460	20	22	32	21	46	17	"
Cons. Gold	488	7	73	22	—	38	—	"
Cons. Gold	500	—	—	15	—	25	—	"
Cons. Gold	550	—	—	8	—	15	—	"
Courtaulds	50	12	—	13	16	15½	2	60p
Courtaulds	60	4	1	6½	25	9½	2	"
Courtaulds	70	1	—	2	3	6	1	"
GEC	550	100	4	125	3	135	—	648p
GEC	600	55	2	85	1	102	5	"
GEC	650	21	11	48	5	72	—	"
Grand Met.	140	37	8	42	1	45	—	174p
Grand Met.	160	17	11	24	1	30	—	"
Grand Met.	180	5½	11	12	70	16	—	"
Grand Met.	200	2	—	5½	27	7	—	"
ICI	240	24	4	32	—	48	—	252p
ICI	260	10	5	26	12	28	—	"
ICI	280	4	5	14	6	22	40	"
ICI	300	2	22	9	—	18	46	"
ICI	330	1	16	4	—	—	—	"
Land Sec.	360	47	21	56	—	69	—	399p
Land Sec.	390	23	26	35	10	49	—	"
Land Sec.	420	8	28	20	10	33	—	"
Marks & Sp.	120	3	5	9	1	14	—	118p
Marks & Sp.	130	1	6	5	—	10	—	"
Shell	420	15	28	26	—	38	—	408p
Shell	460	4	4	14	—	22	—	"
Shell	500	1	3	6	—	—	—	"
Shell	550	¼	61	3	—	—	—	"
Totals			702		262		186	
		May		August		November		
Barclays B'k	350	45	1	57	—	80	—	398p
Barclays B'k	390	16	7	27	—	50	—	"
Barclays B'k	420	14	33	27	4	35	—	"
Barclays B'k	460	3	15	15	6	—	—	"
Imperial Gp.	80	2	—	4½	12	5	—	74p
Lasmo	650	30	12	64	1	88	—	622p
Lasmo	700	17	4	43	—	57	—	"
Lasmo	750	6	4	26	—	—	—	"
Lasmo	800	3	18	11	7	—	—	"
Lonrho	90	13	—	15	—	18	10	98p
Lonrho	100	6	27	10	—	12	1	"
Lonrho	120	1	3	3	—	—	—	"
P. & O.	120	17	11	18	—	19	—	125p
Racal Elec.	350	15	23	28	6	44	2	348p
Racal Elec.	390	5	13	16	—	31	—	"
RTZ	414	40	4	—	—	—	—	440p
RTZ	454	16	14	—	—	—	—	"
RTZ	460	—	—	30	—	45	1	"
Totals			176		120		15	

Gold Fields' merger details

BY GEORGE MILLING-STANLEY

THE TERMS of the proposed amalgamation of the major Australian interests of London's Consolidated Gold Fields mean that the London company will end up with a 49 per cent interest in a new company, Renison Goldfields Consolidated (RGC), with the Australian public holding the remaining 51 per cent.

Cons. Gold will also inject almost A$30m (£15.5m) in cash into the new company.

Under the terms of the merger, details of which were announced yesterday, RGC is to become the single publicly-owned Australian company in the Cons. Gold group.

The new company will control all the interests of Consolidated Gold Fields Australia (CGFA), currently a 70 per cent-owned subsidiary of Cons. Gold, Renison, the largest underground tin producer in the world, Mount Lyell Mining and Railway Company, a copper producer, and Associated Minerals Consolidated (AMC), the biggest beach sand minerals operation in the world.

CGFA currently holds 53.3 per cent of Renison, 56.1 per cent of Mount Lyell, both of which are based in Tasmania, and 62.2 per cent of AMC. Cons. Gold's only direct stake in these companies is a 4.8 per cent holding in Renison.

The four Australian companies are to become wholly-owned subsidiaries of RGC, with their shareholders being offered shares in the new company and cash in return for their holdings.

Mr. John Howard, the Australian Treasurer, has stated that he will grant "naturalised" status to RGC when the restructuring becomes effective.

This would enable the new company to proceed on its own with the development of natural resources projects in Australia, without the need to seek additional Australian involvement in order to comply with the country's policy on foreign investment in mining projects.

Shareholders of the four companies, and the Supreme Courts of New South Wales, Victoria and the Australian Capital Territory have still to give the scheme their approval, but Mr. Max Roberts, currently chairman of CGFA and chairman-designate of RGC, said yesterday that he hopes the reorganisation can become effective during May of this year.

The scheme proposes that RGC will have an issued capital of 38.3m ordinary shares of 50 cents nominal value, and 13.65m ordinaries on which dividend payments will be deferred until the 1984/85 financial year.

Public shareholders in the four Australian companies will receive RGC ordinary shares, RGC deferred shares and cash in the following proportions;

- for every 100 CGFA, 50 RGC shares, 36 RGC deferred shares and A$153 cash;
- for every 100 Renison, 100 RGC and A$351 cash;
- for every 100 AMC, 28 RGC and A$58 cash;
- for every 100 Mount Lyell fully-paid, 21 RGC and A$43 cash;
- and for every 100 partly-paid Mount Lyell, nine RGC and A$29 cash.

Cons Gold will receive the same as the public shareholders for its holdings in CGFA and Renison, with the sole exception that the cash element for the CGFA shares is reduced to A$103.

In addition, Cons Gold is to buy a further 3.89m RGC shares at A$7.77 a share and 3.98m RGC deferred at A$6.27 a share. This will cost a total of A$54.6m, making Cons Gold's net contribution to the new company A$29.4m after deducting the A$25.2m it will receive in exchange for the stakes in CGFA and Renison.

Mr. Roberts said that under the new arrangements, RGC expects to pay a dividend of 25 cents a share for the half-year to June 30, and a total of not less than 50 cents for the year to end-June 1982.

For the following two years, RGC intends to pay out at least 50 per cent of net profits as dividends.

Renison shares jumped 50p to 525p in London on receipt of the news. AMC gained 20p to 122p and Cons Gold 13p to 443p, while CGFA were unchanged at 400p and Mount Lyell lost 1p to 94p.

EZ to raise £34m by rights issue

THE base metals company EZ Industries has joined the list of major Australian public companies raising money through rights issues, with a one-for-four offering at A$3.50 a share to raise A$66m (£34m).

The Melbourne mining and investment house North Broken Hill (NBH), which controls 32.45 per cent of EZ, has already indicated its intention of taking up its rights in full.

EZ said yesterday that the funds would be used for "general purposes," but it seems likely that some of the money will be used to finance its purchases of NBH stock earlier this year.

The company bought 10.49 per cent of NBH from Consolidated Gold Fields Australia in January, and added a further 5 per cent in February for a total outlay of A$98m.

The moves were widely regarded as defensive on EZ's part, and were thought to be designed to prevent the transfer of a significant stake to unfriendly hands by thwarting a possible takeover of NBH.

The issue will bring EZ's issued capital to A$94.5m. Payment for the new shares is to be made in two instalments, with A$2 due in May and the balance of A$1.50 in August. The shares will not be eligible for the 5 cents interim dividend declared in February, but will be entitled to half of the current year's final.

There is little market for EZ shares in London, but they were reckoned to be 265p yesterday, down 5p.

Uranium find in Mexico

SIGNIFICANT deposits of uranium have been discovered in the state of Oaxaca, southern Mexico, according to the state-controlled uranium company Uramex, reports William Chislett from Mexico City.

Mexico is expected to announce a new power programme later this month, under which it is proposed to generate 20,000MW of electricity, or 25 per cent of the country's total requirement, by nuclear methods by the end of this century.

The announcement from Uramex concerned the discovery of potential reserves of 10,000 tonnes of uranium at Santa Catarina Tayata. This would be the country's largest single deposit.

ORE RESERVES AT PARINGA

A recent report by geological consultants to Consolidated Gold Mining Areas, which plans to re-open the old Paringa mine in the centre of Western Australia's Golden Mile, estimates proved and probable ore reserves on the 12 leases making up the mine at 985,300 tonnes. Some three-quarters of this has an average grade of 5.6 grammes of gold per tonne.

The report suggests that total possible reserves at the deposit are 1.94m tonnes, with about 60 per cent of this grading an average of 5.1 grammes of gold per tonne.

There is also the potential for an additional 380,000 tonnes at depth, with grades estimated at between 6.1 and 8 grammes of gold per tonne.

CGMA has prepared a feasibility study which indicates a life for the project of 12 years at the planned extraction rate of 130,000 tonnes a year.

The study suggests that the operation should break even at a gold price of U.S.$256 an ounce. Gold was around $490 in London yesterday.

ROUND-UP

The Indian Government has announced that it is prospecting for gold in six of the country's 22 states, under an exploration programme which will run until 1985. Geologists estimated that there are more than 5.6m tonnes of gold-bearing rock in the six states, Andhra Pradesh, Bihar, Orissa, Kerala, Maharashtra and Karnataka.

Gold is already mined in the southern part of Karnataka, but proven reserves are unlikely to last for more than aonther 18 years at the present rate of extraction. The area's two gold fields currently produce almost 100,000 ounces of gold a year.

Union Carbide lifts Zimbabwe chrome output

THE MAJOR U.S. chemicals company Union Carbide is to spend 20m Zimbabwe dollars (£14m) on expanding its chrome output and production of ferro-chrome in Zimbabwe, reports Tony Hawkins from Salisbury.

The group plans to construct two new 18 megawatt furnaces at its Que Que plant in the Zimbabwe midlands, increasing the output of high-carbon ferro-chrome by 55 per cent to 210,000 tonnes a year. At the same time, chrome output of Union Carbide's mines at Selukwe and Mtoroshanga will be raised by 39 per cent to around 500,000 tonnes a year.

The first furnace is scheduled to come on stream about the middle of this year, with the second following during 1982.

Total chrome ore production by all of the producers in Zimbabwe, chiefly Union Carbide and the Anglo American Corporation's Rhodall subsidiary, was 554,000 tonnes in 1980, worth Z$18.4m.

Small rise in profit at De Beers

A CHANGE of accounting policy at South Africa's De Beers Consolidated Mines, the most important force in international diamond mining and rough gem marketing, left the company showing net attributable profits for 1980 of R853.8m (£490m).

This represents a small rise on the R834.3m for 1979, re-stated to reflect the inclusion of De Beers' share of retained earnings of associated companies in the consolidated income statement.

Earnings on the new accounting basis are shown at 237.3 cents a share, compared with a re-stated 235.8 cents. On the old basis, earnings would have shown a fall to 185.7 cents from 205.7 cents.

The final dividend is cut to 50 cents a share from 52.5 cents, making a total for the year of 70 cents, compared with 1979's total of 72.5 cents.

Some analysts had been looking for at least a maintained final, or possibly an increase in the total to 80 cents, but De Beers warned at the halfway stage, when the interim dividend was lifted by 5 cents to 25 cents, that this was in order to reduce the disparity between the interim and final payments.

The company's income from diamonds fell by 15 per cent to R816m, but this was to some extent offset by a rise of 18 per cent in income from investments outside the diamond industry.

The 11 per cent appreciation of the rand in terms of the U.S. dollar, the currency in which diamond prices are denominated, had an adverse effect on sales. Beyond that, the continuing high level of interest rates cut sales in the U.S., which traditionally accounts for almost half of world sales of gem diamonds.

At the pre-tax level, De Beers' profits were 11.6 per cent lower at R977.8m. Lower tax charges and mining lease payments and the inclusion of the share of profits of associates produced the rise at the net level.

De Beers said yesterday that market conditions in the cutting centres, with the exception of India, are weak and stocks of polished goods are high.

In a move to restore confidence and stability in the cutting centres, the company's Central Selling Organisation, which accounts for the bulk of world sales of rough gem and industrial diamonds, has reduced its offerings substantially.

On the other hand, De Beers said that retail sales, which reached record levels in 1980, are continuing satisfactorily in the current year.

De Beers gained 2p to 387p in London yesterday in advance of the results.

M. RAYMOND BARRE'S MONETARY POLICY PAYS OFF

French franc bonds make their mark

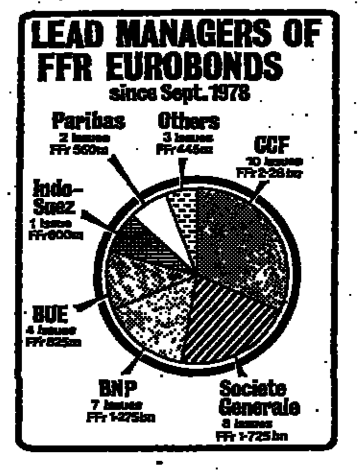
BY FRANCIS GHILES

THE REOPENING of the French franc Eurobond sector in September 1978 was greeted with a mixture of condescension and amusement in the more important European financial centres. Bonds denominated in a currency which had not proved stable over the years and which was still subject to exchange controls did not appear to have a bright future.

"At best this sector can be regarded as an interesting watering hole," is how one London-based banker summed up the event. Two-and-a-half years later, the wheel has come full circle. While new issues of Deutsche Mark foreign bonds have all but disappeared, French banks have already notched up more than FFr 2bn ($412m) worth of new French franc issues this year.

When Credit Commercial de France—which was first off the mark in 1978 with an issue for the European Investment Bank—launches a FFr 200m issue for the Swedish export credit bank next week, the total volume of French franc denominated Eurobonds arranged in the past 30 months will have reached FFr 7.9bn ($1.8bn). Nearly one-third—FFr 2.48bn—of this total is accounted for by issues arranged under the leadership of CCF.

This success story is firmly rooted in the tight money and strong currency regime which has bee nthe hallmark of M. Raymond Barre since he became Prime Minister in 1976. This policy is designed to keep the country's imported energy bill within reasonable bounds and there is no evidence so far of the Government wishing to change it, despite complaints by industry and the campaign for next month's presidential election.



Initially, buying interest sprung essentially from Belgium and Luxembourg, not to mention French accounts run from Luxembourg and Switzerland. Higher coupons than were available on D-Mark, Swiss franc or dollar bonds helped, while limitation of new issues to one a month in 1978-79 ensured that demand was well up t osupply. The Treasury kept a close eye on the queues of new borrowers—there have always been four queues: French state and private borrowers and foreign state and private borrowers.

The Treasury has always tried to ensure that borrowers from each of these groups have a fair chance of arranging a bond placement.

Three considerations dictated the Treasury's attitude when it allowed the market to reopen; that it should have no adverse effect on the French balance of payments; issues should be of medium size; and issuers should be of the highest quality. These considerations have not changed; the only difference is that the average size of the French franc Eurobond issues has doubled since 1978.

The market's success has also been the result of the growing list of investors interested in buying French franc paper. London banks no longer turn their noses up, while in recent weeks buying requests have come from German investors. U.S.-offshore funds are showing interest.

Perhaps more important has been the growing interest shown by Arab investors, both private and institutional, in such paper. This came about, according to French bankers, as the result of two events. The weakness of the dollar over a long period, and more recently of the D-mark and the Swiss franc, had made Arab investors look for other instruments in which to invest some of their surplus funds while the U.S. freeze on Iranian assets in November 1978 concentrated the minds of some bankers.

French bankers have been helped by the interest President Valery Giscard d'Estaing takes in such matters and the encouragement offered by senior French officials when in the Middle East to potential Arab investors. Arabs have also been buying large amounts of domestic French franc bonds. Last year alone the volume of such instruments doubled to FFr 112bn. The large private placements made by the likes of Electricite de France have also helped familiarise Middle East investors with investment opportunities in France.

Until quite recently Arab investors were unwilling to purchase French franc Eurobonds which did not carry a sovereign guarantee. There are signs, however, according to some French bankers, that these investors are prepared to take a few risks.

Convertibles denominated in French francs have recently made their appearance alongside the fixed rate bonds which still account for the bulk of outstanding paper.

French banks are looking forward to further growth in this lucrative niche, as they alone are allowed to lead French franc denominated bonds. That is so long as next month's presidential election springs no unpleasant surprise.

BFCE Eurobond lifted one-quarter to FFr500m

BY OUR EUROMARKETS STAFF

THE FRENCH franc bond being arranged for Banque Francaise du Commerce Exterieur (BFCE) by Societe Generale was increased by FFr 100m to FFr 500m yesterday and priced at par. The borrower is paying a coupon of 14½ per cent, which has looked increasingly attractive to investors since the issue was launched nine days ago.

French franc interest rates have come down in line with events in the dollar sector: the six-month EuroFrench franc rate has shed 1½ per cent to 12 per cent since the BFCE issue was launched, while the franc has remained firm on foreign exchange markets. Of this initial amount, FFr 100m was pre-placed with demand appearing to have been particularly strong in Switzerland.

The next issue in this sector is expected early next week, in the form of a FFr 200m bond for Swedish Export Credit through Credit Commercial de France.

Prices advanced in all major sectors of the Eurobond market. Fixed interest dollar bonds gained ½ points and dealers said that the $25m tranche of the $60m tap issue for Australian Resources Development Bank had a good reception. The ½ per cent cut in prime rate announced by a number of U.S. banks yesterday had already been discounted by the market.

Petroleos de Portugal raising $100m credit

BY FRANCIS GHILES

THE State-owned Petroleos de Portugal is raising a $100m loan for eight year with a grace period of five years. The borrower is paying a margin of ½ per cent for the first two years rising to ⅝ per cent for the remaining six. The managers of this loan include Standard Chartered Bank, which is also acting as agent, Banco Totta and Acores, Midland Bank and Sumitomo Bank.

A $50m eight-year loan with five year grace which carries a split margin of ½ per cent for the first two years rising to ⅝ per cent is also being arranged for Electricidade de Portugal, which is also state controlled. Citicorp is acting as agent for this loan and with National Bank of Canada is assembling a group of 10 banks to take $5m apiece.

Later this month, the Republic of Portugal is expected to award a mandate for a $500m loan. Bankers say that the borrower is hoping to achieve finer terms on this jumbo loan than on the two currently being arranged.

● Transcanada Pipelines, operator of the cross-Canada gas pipeline system and which has moved into oil and gas exploration and development in Canada and U.S., expects to raise about C$800m (U.S.$668m) in North America and in the Euromarkets this year.

هكذا من الأصل

Tokyo set to ease foreign loan rules

By Richard C. Hanson in Tokyo

THE JAPANESE Ministry of Finance is expected to allow Japanese banks greater scope to lend both dollars and yen abroad in the next financial year starting in April.

The banks, however, are adopting cautious lending strategies, partly at the behest of the authorities, to cope with a deterioration of international lending conditions. They are faced with large numbers of pre-payments on older loans by borrowers seeking better terms, narrowing profit margins, and the still tight controls by the MoF on the volume of loans.

For dollar syndications, the official stance continues to be based on the belief that Japanese banks should account for roughly 10 per cent of world lending, the share which Japan holds of world GNP.

In 1978 and 1979, Japanese banks were lending at a rate more than twice that ratio, a state of affairs which prompted a halt in new loans for several months from the end of 1979.

It is likely that banks, which receive individual approval for lending on a six-month basis, will collectively be allowed to commit about $9bn to $10bn next year, compared with $6bn to $8bn in new commitments in the year ending this month. The net gain, however, will be smaller because of the amount of pre-payments this year from Iran and elsewhere. The current outstanding balance is about $35bn.

On the yen lending side, which was allowed to start up again slowly late last year, the banks may be given ceilings of about Y200bn ($970m) for each half year, a pace equivalent to the last part of 1980-81. This will depend, however, on a continuation of the current favourable trends in the balance of payments.

Significantly, though, the scope of yen loans is expected to be increased to allow loans to foreign governments. At present, the loans are limited to international organisations, export credits, and for financing natural resource development.

The volume of yen lending could increase if the Bank of Japan, as expected, further eases overall restraints on yen loans by the "City" banks.

The Japanese banks are aiming to make the best of an otherwise miserable market for Eurodollar loans by participating as much as possible in syndications only in management positions, where the fees help make up for narrow profit spreads. The authorities are expected to discourage Japanese banks from participating in syndications merely as suppliers of funds.

Guidelines continue to pay the amount of total Japanese participation in any given loan to 20 per cent, but the authorities have been more flexible of late, allowing up to 30 per cent or more in same cases, such as on loans to South Korea.

Mexican stock prices fall as banks sell

By William Chislett in Mexico City

THE 42 PRICE index of the Mexican Stock Exchange plunged 91.9 points last week. Heavy selling of stocks by Mexican banks is understood to have been the main factor behind the fall, the worst in any week in the past 12 months.

Since the beginning of the year, the index has fallen a total of 118.6 points to a low of 1,313.6 on March 6, a decline of 8.2 per cent. At the beginning of this week, it recovered seven points to 1,302.5.

The fall has come at a time when the Government is trying to strengthen the fledgling stock market with the hope that it will develop into an alternative source of financing to the traditional system of short-term bank loans at high interest rates.

Mexico's banks, which play a powerful role in the oil-rich economy through their lending to industry, insurance and property, do not view the creation of a strong capital market with much enthusiasm, and are in a position to undermine the process.

According to Sr Raymundo Leal Marquez, a leading broker, the banks 'stock portfolio shrank by 5bn pesos ($213.6m) from December 31 to February 20. He believes this set off a wave of selling which included many small investors.

The four largest Mexican banks are believed to control about 40 per cent of stock market turnover directly, or indirectly through their participation in brokerage houses.

There are other factors behind the drop, including uncertainty over the peso, spiralling inflation, the slow introduction of new measures to strengthen the stock market and strong competition from Treasury bills

Credit Agricole to proceed with point of sale banking

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE Credit Agricole group of French rural banks is set to lead the world in the field of electronic banking at the point of sale (POS) in stores and other retail establishments. Its plan to instal some 30,000 off-line terminals in stores and hypermarkets throughout France over the next five years, will give it the first nationwide POS installation anywhere in the world.

The Credit Agricole contract is worth around £16m ($35m) and tenders have been invited from about 70 terminal manufacturers in several European countries, including France, Germany and Belgium. No tenders have been sought from British companies.

The nationwide installation follows what appears to have been a highly successful POS experiment over most of the past year at the Euromarche hypermarket in Limoges. This was conducted by the local Credit Agricole, and involved the use of NCR equipment.

Contrary to the views of some retail bankers elsewhere in Europe, Credit Agricole believes that an off-line POS system is practicable. As structured at Limoges, the system worked very much like a cheque guarantee card and had the same minimum guarantees and delays in transfer of funds built in. It is said to have proved highly popular with the bank's customers.

The Limoges experiment involved customers passing a plastic card with a magnetic stripe through a reader, and then keying in a personal identification number.

The British banks have been considering a nationwide POS system for some years, but have so far failed to agree on whether the system should be competitive or a co-operative bank venture. One of the Banks, Barclays, is currently running its own POS experiment with a group of garages in Norwich.

Vitatron shares fall 25p after forecast of loss

BY OUR FINANCIAL STAFF

VITATRON, the Dutch maker of heart pacemakers which came to the London stock market in a blaze of glory at the end of 1979, has slipped heavily into the red for 1980.

Demand has fallen, margins have been severely squeezed and a "substantial" loss is in prospect, the company said yesterday. The news lopped 25p off the shares in London where at 130p they compare with a peak for 1980 of 280p.

Vitatron placed just under a fifth of its equity on the London market following the abolition of UK exchange controls. It is not quoted in Holland. The shares, which were placed at 175p each, offered a 40 per cent premium on the first day of dealings.

Profits for 1979 totalled £1.85m ($4.1m) before tax—which was more than double the 1978 level—on sales of £13.3m. However, trading since then has been hampered by weak sales, notably declining government orders.

Holzmann to extend operations in U.S.

By Jonathan Carr in Bonn

PHILIPP HOLZMANN, one of West Germany's leading construction groups, plans to extend its operations in the U.S. to engineering and industrial planning.

The group is preparing an offer for a majority stake in Lockwood Greene Engineers, of South Carolina, a company with more than 1,000 employees.

An initial accord has been reached with Lockwood and the offer will be made in the next few months, Holzmann said. Further details were not revealed.

Two years ago Holzmann paid $75m for J. A. Jones, the U.S. construction group. A move into Lockwood would be a natural extension into the U.S. market at a time when domestic German construction activity has gone into decline.

However, a letter to shareholders says the group's parent company increased profits on its domestic activities last year. With foreign business also going well a "satisfactory" profit had been achieved overall.

Building activity rose in 1980 by 7 per cent to DM 6.2bn ($2.9bn), based on a rise of 2.3 per cent to DM 3.9bn abroad and of 16 per cent to DM 2.38bn at home.

Humana plans $77.2m bid

By Ian Hargreaves in New York

HUMANA, the Kentucky-based hospital services group, has offered $77.2m for Brookwood Health Services, a smaller company in the same field, based in Birmingham, Alabama.

Humana, which is regarded as the most aggressive participant in the booming private health care field, did not inform Brookwood's management in advance of the offer.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday, April 14.

Closing prices on March 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¼ 88	75	95¼	95¾	0	+1¼	14.30
CECA 11½ 88	100	88¼	88¾	−0⅛	+1⅛	14.12
CNE 12⅜ 91	100	91⅜	91⅞	+0¼	+0⅞	14.37
Citicorp O/S Fin. 10 86	300	85¾	86¼	+0½	+1⅛	13.86
Citicorp O/S Fin. 12 87	200	90⅞	91⅜	−0⅛	+1	14.11
Con. Illinois O/S 9¾ 86	150	84	84½	0	+1⅜	14.12
Denmark 11¾ 90	100	85¾	86¼	−0½	+1¼	14.58
Dupont Canada 13½ 91	65	95¾	96¼	+0⅛	+1¼	14.27
EEC 11 95 (May)	75	80⅛	80⅝	+0⅜	+0⅜	14.28
EEC 11 95 (August)	70	78¾	79¼	+0¼	+0⅜	14.58
EIB 13¾ 90	100	96½	97	−0⅛	+0⅜	14.38
Eksportfinans 9½ 87	75	82⅜	82⅞	0	+0⅞	13.74
Eldorado 13¾ 86	50	96¼	96¾	0	0	14.27
Elec. de France 10 88	125	82⅜	82⅞	+0¼	+0⅞	13.97
Elec. de France 13 88	125	95⅛	95⅝	−0¼	+1⅜	14.07
Export Dv. Cpn. 12¾ 87	100	94¼	94¾	0	+1⅛	14.14
Export Dv. Cpn. 9½ 86	150	83¾	84¼	−0⅛	+1	14.31
Fin. Exp. Credit 10½ 85	50	87	87½	−0⅛	+0⅛	14.64
Finland, Rep. of 9½ 86	100	82⅜	82⅞	0	+0⅞	14.62
Ford Credit O/S 14⅛ 83	150	97⅞	98⅜	+0⅛	+1⅛	15.42
Ford Cr. O/S Fin. 16 84	150	102¾	103¼	−0¼	+1	14.64
Gaz de France 13½ 86	80	98	98½	+0⅛	+1⅛	13.99
GMAC O/S Fin. 12 87	100	89⅜	89⅞	0	+1	14.57
GMAC O/S Fin. 12⅞ 88	100	91⅞	92⅜	+0⅛	+1¼	14.75
Gen. Mtrs. O/S 11¾ 87	100	88⅞	89⅜	+0⅞	+0⅜	14.36
GTE Fin. 13¾ 86 (WW)	50	98½	99	−0⅜	+1	14.09
Hudson's Bay 11½ 90	75	85⅜	85⅞	+0¼	+1¼	14.37
IBM Canada 10½ 85	50	95¾	96¼	0	+1¼	11.70
IBM Wld. Trade 12½ 88	200	95⅛	95⅝	+0¼	+1	13.56
Newfoundland 13½ 90	60	94⅜	94⅞	−0⅛	+1⅛	14.60
Nova Scotia 10¾ 90	50	82¼	82¾	+0¼	+1½	14.21
OKB 10 85	50	87½	88	−0⅛	+1	13.89
Ontario Hydro 13½ 91	100	95½	96	−0⅛	−0⅞	14.31
Quebec Hydro 11½ 92	100	83	83½	−0⅛	+1½	14.59
Queb. Hy. 13 91 (WW)	100	91⅞	92⅜	−0⅜	+1¾	14.53
Roylease 11¼ 85	50	91⅛	91⅝	−0⅜	+1⅛	14.02
SNCF 12⅜ 85	50	94⅞	95⅜	+0¼	+1⅛	13.95
SNCF 13 91	75	94	94½	+0⅜	+1⅛	14.10
Sven Handelsbk 13¼ 88	45	95¼	95¾	−0⅛	+0⅜	14.80
Sweden 12⅜ 85	150	94⅜	94⅞	+0⅛	+1⅜	14.00
Swed. Ex. Credit 12 83	50	94	94½	0	+0⅞	14.76
Swed. Ex. Credit 13 86	75	95	95½	+0⅛	+1⅛	14.39
Tribune O/S Fin. 14 86	50	97¼	97¾	−0¼	−0¼	14.74
World Bank 9⅝ 85	200	87¾	88¼	+0¼	+0⅞	13.60
World Bank 10¾ 87	300	84⅞	85⅜	+0½	+0⅞	13.96

Average price changes...On day +0⅛ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asia Dev. Bk. 8⅜ 90	100	87¾	88½	+0⅜	+1⅛	10.36
Australia 8⅜ 90	250	91	91½	−0¼	+1⅛	9.62
Austria, Rep. of 8¼ 92	150	87¾	88¼	0	0	10.04
BFCE 8¼ 86	100	85⅝	86⅛	+0¼	+0½	10.03
CECA 7⅞ 92	150	†86½	87½	+0⅞	+1⅞	9.80
CII-Honeywell 8½ 90	125	90⅜	90⅞	+0⅜	+2½	9.96
Denmark 8¾ 92	100	89⅛	89⅞	+0¼	+0⅜	9.86
EIB 8½ 90	200	91⅛	91⅞	+0½	+0⅜	9.90
ESCOM 9¼ 87	100	91⅝	92⅜	0	−1⅜	10.98
Iberduero SA 9 90	100	90⅛	90⅞	0	−0¼	10.63
Ind. Bk. Finland 8½ 90	50	86⅜	86⅞	+0½	+1¼	10.81
Japan Air Lines 8⅛ 87	100	91¼	92¼	+0⅜	+1¼	9.77
Japan Dev. Bank 7¾ 87	100	88⅜	89¼	+0¼	+1¼	10.05
Kobe, City of 8 90	100	88¼	89	+0⅛	+1⅛	9.91
Midland Int. Fin. 8½ 90	180	91⅛	92⅛	+0⅜	+1⅞	9.85
Norway 7½ 85	250	93	93¾	+0⅛	+1¼	9.63
Nuclebras 9¾ 88	100	84⅜	85⅛	+0¼	−2	12.96
OKB 8¼ 92	150	86⅜	87⅞	+0⅜	+0¼	10.27
Oslo, City of 8⅜ 90	80	93	93¾	+0⅜	+2½	9.90
Venezuela, R. of 9¾ 90	150	92⅞	93⅛	+0¼	+0⅞	10.90
World Bank 8 90	700	87⅞	88⅝	+0⅛	+0¼	10.01
World Bank 10 88	150	101⅞	102⅜	[illegible]	[illegible]	9.41
World Bank 10 90	200	100⅞	101⅜	[illegible]	[illegible]	9.90

Average price changes...On day +0⅛ on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5½ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 6¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. 5¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Buhrm'n-Tettrode 7 90	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen Tele 6¾ 90	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6¾ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 6¾ 91	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elet. de France 5¾ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5¾ 92	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F. G. H. Hypo. Bk. 6 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 6¾ 90	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dev. 7 90	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank 5½ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jutland Tele. 6½ 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 6¾ 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newag 6¾ 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 4¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 4⅜ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 6¼ 90	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 5⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui Pre. Hms. 6 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. 6½ 90	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 5⅝ 90	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes...On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8⅛ 88	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅝ 89	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.6 83	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.8 88	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8⅛ 87	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes...On day 0 on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 13⅜ 85 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 11⅞ 85 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. 11⅜ 90 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 90 C$	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. 13⅛ 85 C$	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¼ 89 EUA	40	86	87	0	0	10.83
U. Bk. Nrwy. 9½ 90 EUA	18	96¼	98¼	0	−0⅜	9.93
Algemene Bk. 10¼ 86 Fl	60	95⅞	96⅜	+0½	+0⅞	11.37
Bk. Mees & H. 10 85 Fl	75	97¼	97¾	+0½	+0⅛	10.71
Heineken NV 10 87 Fl	100	95⅜	95⅞	+0⅛	+1⅜	10.97
Nat. Nedrlndn. 10 88 Fl	60	94¼	94¾	+0⅜	+1⅛	11.18
Ned. Midd. Bk. 10 85 Fl	75	98⅜	98⅞	0	+1	10.36
Pierson 10¾ 86 Fl	50	98⅛	98⅝	0	+1⅜	10.88
Aero Paris 13⅛ 87 FFr	150	93¾	94¼	+0⅜	+1¼	14.53
Charb'nages 13⅞ 85 FFr	400	97⅞	98⅞	+0½	+1⅛	14.32
CECA 14⅛ 86 FFr	150	98½	99½	+0⅝	+1⅜	14.52
EIB 14⅛ 88 FFr	300	98¼	99¼	+0½	+0⅛	14.42
Finland 11 84 FFr	80	90⅛	91⅛	+1½	+2⅛	14.36
Gaz de France 11 84 FFr	150	90⅝	91⅝	+0¼	+0⅛	14.23
La Redoute 14⅛ 85 FFr	125	94⅞	95⅞	+0⅜	+1	15.77
OKB 14 86 FFr	400	97⅞	98⅞	+0⅜	+1	14.47
Utd. Mex. Sts. 14.85 FFr	150	96⅜	97⅜	+0¼	+0⅞	14.91
Acona 14 85 £	20	94⅞	95⅝	+0⅜	+0½	15.43
Beneficial 14¼ 90 £	20	93¼	94¼	+0¼	−0⅛	15.49
BNP 13½ 91 £	15	95¼	96½	+0¼	−0⅛	14.23
CECA 13½ 88 £	20	95⅞	96⅝	+0¼	−0⅜	14.29
Citicorp O/S 13½ 90 £	50	95⅜	96⅛	+0¼	−0⅛	14.38
Fin. for Ind. 14½ 88 £	20	99⅛	99⅞	+0⅛	+0⅛	14.61
Fin. for Ind. 13¾ 87 £	20	97½	98	+0⅛	+0⅛	14.25
Gen. Elec. Co. 12½ 89 £	50	93⅞	94⅛	+0¼	+0⅜	13.72
Peugeot SA 14 90 £	23	93¾	94¾	+0¼	0	15.19
Rothschild 14¼ 90 £	12	97½	98¼	+0⅜	−0⅜	14.63
Royal Trustco 14 86 £	12	99⅛	99⅞	+0⅛	+0⅜	14.14
Swed. Ex. Cr. 15¾ 85 £	20	102¼	103	+0⅛	+0⅛	14.33
Banobras 8¾ 90 KD	7	†89½	90	−0	0	10.01
CCCE 8⅛ 91 KD	10	†82½	83	0	0	11.06
Sonatrach 8½ 90 KD	12	†92	92½	0	0	9.83
Akzo 9¼ 87 LuxFr	500	87½	88½	0	−1½	11.95
Euratom 9¾ 88 LuxFr	500	88⅞	89⅞	+0⅛	−0½	12.11
Eurofima 10½ 87 LuxFr	500	95¼	96¼	0	−0⅛	11.42
EIB 9¾ 88 LuxFr	600	90	91	−0⅛	−0⅞	11.83
Volvo 9¾ 87 LuxFr	500	87½	88½	−0⅛	−2⅛	12.46

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99½	100	2/7	16⅞	16.87
Bank of Montreal 5¼ 90	0¼	99¼	100¼	18/6	19½	19.50
Bank of Tokyo 5¼ 89	†0⅜	98¾	99¼	25/4	19.31	19.51
BBL Int. 5 86	0¼	99	99½	20/5	[illegible]	16.62
Bergen Bk.-A/S 6 89	†0⅜	†98¼	98⅞	29/5	[illegible]	17.35
BNP 5½ 88	†0⅜	99½	100	[illegible]	[illegible]	18.73
CNT 5¼ 86	§0¼	99⅜	99⅞	[illegible]	[illegible]	13.32
Christiania Bk. 5½ 91	†0¼	97⅝	98⅛	[illegible]	[illegible]	18.14
Citicorp O/S F. 84	†0	99	99½	[illegible]	[illegible]	16.34
C. Itoh 5¼ 87	0¼	99¼	99¾	18/3	[illegible]	12.94
Co-operative Bk. 6 86	0¼	97½	98	[illegible]	[illegible]	15.60
Den Norske Credit 6 90	†0¼	98½	99	5/6	[illegible]	17.97
Genfinance 5¾ 87	0¼	99	99½	30/6	[illegible]	15.24
Giro und Bank 5¼ 91	†0¼	98⅜	98⅞	23/3	[illegible]	20.79
GZB 5½ 89	†0¼	99⅛	99⅝	1/5	17⅞	17.99
Ind. Bank Japan 5¼ 87	0¼	98⅜	99⅛	15/4	13.31	13.45
Ind. Bank Japan 5¼ 88	0¼	98½	99	9/4	13⅛	13.29
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅜	3/7	[illegible]	14.93
Lloyds Eurofin 5¼ 92	0¼	98½	99	4/6	[illegible]	17.47
LTCB Japan 5¼ 86	0¼	100⅛	100⅝	13/6	20.19	20.11
Man. Hanov. O/S 5¼ 94	†0¼	98⅜	98⅞	30/5	17	17.24
Midland Intl. Fin. 5 89	0¼	100	100½	30/6	18.56	18.51
Midland Intl. Fin. 5¼ 92	0¼	98½	99	5/6	17.19	17.41
Nacional Fin. 6¼ 86	0¼	99⅛	99⅝	26/7	17¾	17.86
Nat. West. 5¼ 94	§0¼	97⅞	98⅜	14/4	13⅝	13.64
Nat. West. 5¼ 92	§0¼	97⅞	98⅜	23/4	13.69	13.95
Nippon Credit 5¼ 87	†0¼	98⅞	99⅜	6/5	17.44	17.59
Sparebanken 6 87	0¼	98⅝	99⅛	19/6	19⅞	20.08
Standard Chart. 5¾ 90	0¼	99	99½	3/9	17.06	17.19
Svenska Hndlsbk. 5 87	0¼	99⅛	99⅝	15/7	17.81	17.90
Bq. Ex. d'Alg. 4¾ 88 SF	0⅛	†90	91	18/6	7½	8.29

Average price changes...On day 0 on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Bow Valley Inv. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon 6¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digicon Fin. 8⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. 9½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape Ltd. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jusco 7¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. 9 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El. 7¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MEPC 8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Niigata Eng. 7¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nissho-Iwai Co. 6 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh 6⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. 7½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow 8¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transco Int. 8⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricentrol 7¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn. 6⅜ 88 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. 6⅜ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bofors lifts dividend as profits exceed forecast

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

BOFORS, the Swedish armaments and chemicals group, raised earnings last year by almost 43 per cent to SKr 251m ($54.5m), handsomely beating the management's forecast at the eight-month stage of a 25 per cent advance. Consolidated sales were SKr 3.82bn, showing a gain of nearly 17 per cent.

The board proposes to increase the dividend by SKr 2 to SKr 9 a share and to raise capital to SKr 258m by a one-for-four scrip issue. The new shares will be so-called "free shares," each carrying one-tenth of a vote and entitled to a dividend from 1981.

In its communique announcing the 1980 results, the company expects "some downturn" in earnings for 1981 because of a reduction in the volume of armaments deliveries. However, this should not be interpreted as indicating a long-term downtrend, Bofors states, because the group depends increasingly on large single contracts, involving long manufacturing periods and substantial fluctuations in delivery times.

The order book at the end of the year was SKr 4.3bn, a drop of SKr 800m.

The 1980 results were achieved in spite of a loss of about SKr 25m attributed to Sweden's industrial conflict of last May. Adjusted earnings come out at SKr 30.40 a share compared with SKr 21.35.

Group profit and turnover growth derived entirely from Bofors' armaments business, which recorded sales of SKr 2.29bn, ahead by SKr 620m, and turned in an operating profit of SKr 258m compared with SKr 184m. This was the result of some major defence contracts secured in the mid-1970s.

Bofors-Nobel, the chemicals company, suffered a drop in operating profit from SKr 50m to SKr 29m as sales slipped by SKr 44m to SKr 702m. Work on a SKr 500m chemical plant in Iran has been broken off but the project "is not estimated to give a loss."

The industrial group comprising steel, machine tools and electronics made an operating profit of only SKr 2m on a SKr 729m turnover, while Bofors-Kilsta, the press-forging company, lost SKr 7m on sales of SKr 242m. A SKr 200m investment is being made in a new press-forging line.

Credit squeeze hampers DnC

BY FAY GJESTER IN OSLO

DEN NORSKE CREDITBANK (DnC), Norway's largest commercial bank, saw profits fall last year, chiefly as a result of the Government's stringent credit policies.

Operating profits, before loss write-offs, fell to NKr 244.3m ($45m) from NKr 272.7m in 1979, and earnings as a proportion of average capital employed fell to 1.15 per cent from 1.59 per cent. Dividend is, however, being maintained at 12 per cent.

Assets increased to NKr 22.1bn at end 1980 from NKr 17.4bn a year earlier, partly reflecting the takeover of a regional bank.

Last September 2 the minimum reserve requirement of commercial banks in southern Norway was raised to a record 13 per cent, a move which hit DnC's commercial transactions by an estimated NKr 7m a month. The authorities also allowed the banks to raise interest charges to customers, but the full effect of this will not become apparent until the accounts for the current year.

Profits on foreign currency transactions rose by NKr 22.2m to NKr 94m, mainly reflecting an increase in business volume.

Mr. Leif Leddesel, the managing director, said satisfactory features of the 1980 account were the bank's lending growth, its strong equity positions and negligible loss write-offs.

He was not satisfied with last year's 1.15 per cent profitability rate. To be able to achieve satisfactory growth, and pay shareholders adequate dividends, earnings should be between 1.5 and 1.75 per cent of average capital employed.

Industrie Pirelli back in the black

By James Buxton in Rome

SALES BY Industrie Pirelli, the Italian operating company of the tyres and cables group, rose by 30 per cent last year and the company returned to the black for the first time in 10 years. Net profits were L3.5bn ($3.5m). On turnover in excess of L1,300bn ($1.3bn).

Industrie Pirelli is one of the biggest non-state-owned companies in Italy, employing 30,000, and its small profit marks the first success of company policies to combat the problems which beset it and many other big Italian groups in the 1970s.

The improvement is largely the result of the recovery of the tyres division, which accounts for 45 per cent of turnover. Better productivity and the introduction of new products have had an important effect, while about 25 European tyre plants belonging to Pirelli's competitors have closed in the past seven years.

A financial restructuring operation in 1980 involving a consortium of banks has also borne fruit. Even so, the tyre division still sustained a loss last year.

Industrie Pirelli benefited in 1980 from the continuation of a strong market in Italy after the recession set in elsewhere. But with Italy now also in recession, the outlook for this year is less clear, according to Sig. Filiberto Pittini, the chairman.

Property setback checks earnings growth at Amfas

BY CHARLES BATCHELOR IN AMSTERDAM

THE DOWNTURN of the property market has prevented Amfas, the Dutch insurance group, from achieving expected increases in net profits for 1980.

The company's mortgage division has been forced to make a considerable addition to its provision for general risks and has also written down the value of a number of property developments.

An unchanged dividend of Fl 7.20 per share is to be paid on capital increased by 20 per cent. This expansion of capital was partly responsible for the 10 per cent fall in profit per share to Fl 17.40.

Provisional net profits rose only 6 per cent last year to Fl 42m ($18m) compared with the 15 per cent increase forecast. Pressure on the company's non-insurance activities increased in the fourth quarter.

Turnover increased by 12 per cent to Fl 1.57bn. Total premium income rose by 10 per cent to Fl 952m, reflecting a 9 per cent rise in life premium income to Fl 485m and an 11 per cent increase in non-life premium income to Fl 467m.

Amfas, the fourth largest publicly quoted insurance company in the Netherlands in terms of total turnover, is the first to announce detailed figures for 1980. It is more dependent on the domestic market than other major Dutch insurance concerns.

In January Nationale Nederlanden, the largest company in the sector, said 1980 profits had risen by around 16 per cent from Fl 302m in 1979, while turnover was also 16 per cent higher at about Fl 8bn. Foreign business accounts for about half of Nat Ned's business.

Renault taps French bond market

BY ROBERT MAUTHNER IN PARIS

RENAULT, the French nationalised motor company, is floating a 15-year FFr 750m ($150m) bond on the domestic capital market.

Interest, which will be revised every three years, will be equal to the average monthly rates on guaranteed loans plus 0.15 per cent. For the first three years, the rate will be 15.3 per cent.

Investments in Renault's car manufacturing activities last year totalled FFr 4.7bn, compared with total group investments of FFr 6bn. Though the company has not yet given figures for capital spending in 1981, it is understood it will be running at between 8 and 9 per cent of turnover, which last year, totalled FFr 50bn.

Rights issue by DBS to raise S$228.5m

By Georgie Lee in Singapore

THE Development Bank of Singapore (DBS), the major Singapore bank, is to raise S$228.5m (US$109m) by a rights issue of convertible loan stock.

News of the loan stock issue came with the announcement of a substantial profit improvement for 1980 and a higher dividend.

Group operating profit rose by 52.6 per cent to S$139.5m (US$66m) and pre-tax profit, after providing for possible loan losses and diminution in value of other assets, advanced by 44.8 per cent to S$118.6m. Net profits were 43.6 per cent higher at S$69.6m.

The 10-year unsecured convertible loan stock will be issued on the basis of S$1 nominal of loan stock for every ordinary share held. The conversion terms will be fixed on March 21 and will be at a premium not more than 15 per cent above the average of the last traded prices of the shares on the Singapore stock exchange from March 16 to March 20. DBS shares were last traded at S$8.25 prior to the announcement.

The second and final gross dividend is 8 per cent for a total of 15 per cent against 12½ per cent. DBS expects to be able to maintain the dividend rate in the current year.

About 47 per cent of the DBS issued capital of S$228.5m is held by the Government-owned Temasek Holdings. Temasek is expected to take up its loan stock entitlement.

A wholly-owned DBS subsidiary is also expected to come to the market for fresh funds soon. The new issue is believed to be floating rate note issue denominated in Singapore dollars, amounting to about S$75m.

Third-quarter decline for Kubota

By Our Financial Staff

KUBOTA Japan's leading manufacturer of agricultural and industrial machinery, suffered a fall of 24.5 per cent in consolidated third-quarter net profit to Y2.35bn ($11.6m), from Y3.12bn a year earlier, mainly because of slow sales of agricultural machines and heavier borrowing costs.

Overall sales in the three months to January 15 declined by 5.7 per cent to Y103.38bn ($508m) from Y109.64bn. Sales of agricultural machinery went down more sharply by 22.7 per cent to Y35.96bn, while those of housing materials dropped 20.2 per cent to Y9.78bn.

Kubota sold pipes worth Y40.43bn for a gain of 13.5 per cent on the year, and industrial castings and machinery valued at Y17.22bn.

The primary reason for the fall in earnings, Kubota said, were a drop in net sales, an increase in general and administrative expenses, and heavier borrowing costs.

Exports increased by a sharp 46.4 per cent to Y15.55bn, helped by a risein demand in the Middle East, South East Asia, and other areas. The share of exports in the company's overall sales went up to 15 per cent, from 9.7 per cent.

Net income for the nine-month period decreased by 5.1 per cent to Y11.28bn, and sales by 5.7 per cent to Y379.18bn.

Exports boost for Sanyo Electric

By Yoko Shibata in Tokyo

SANYO ELECTRIC, a major integrated manufacturer of electric appliances and its eight consolidated subsidiaries increased group net profits by 41.6 per cent to Y30.29bn ($147m) in the year to November 30, on sales of Y917.18bn ($4.4bn) up 21.6 per cent over the previous year. Profits per share advanced to Y37.88, from Y28.81.

The upsurge in sales and earnings was achieved through buoyant exports, which rose up 45.2 per cent to account for 39 per cent of total turnover. Brisk sales of tape recorders, in which the group has a dominant market share in the U.S. and Europe and strong sales of video tape recorders (VTRs) (with overseas sales accounting for 80 per cent of the total), boosted exports.

The company's capital outlays totalled Y36bn in 1979-80, used largely to expand production capacity of super large scale integrated circuits and VTRs. The company is to join the leading groups in VTR production in the current year by lifting monthly production to 150,000 units from 60,000 units.

Capital investment in the current year is likely to reach Y40bn for the continued expansion of VTR capacity and new plant construction for the volume production of amorphous solar batteries.

With sales of tape recorders and colour TVs projected to rise by 20 per cent, sales of VTRs expected to expand 2.5 times; and a forecast doubling of sales of solar systems, Sanyo sees consolidated sales reaching Y1,020bn, up 11 per cent in 1980-81 and net profits climbing by 10.6 per cent to Y33.5bn.

HONG KONG STOCK MARKET

Disclosure battle joined

BY KEVIN RAFFERTY IN HONG KONG

HONG KONG'S stock markets have reacted adversely to the Government plan that company directors, executives and major shareholders should disclose their holdings and dealings. The Hang Seng Index lost 112.50 points from Wednesday last week to Monday of this, before recovering 24.07 points yesterday to 1,371.42. It was announced early last week that Hong Kong proposed to bring in legislation requiring such disclosure from holders of more than 10 per cent in a company. Before the Chinese New Year holiday in early February, the index had crossed 1,650 on the rise.

The Hong Kong market has come back a long way since the Hang Seng index hit 1,654 last November but Sir Philip Haddon-Cave's controversial disclosure proposals have been only one element in the bearish cocktail. With the Hong Kong prime rate at 14 per cent, punters have been squeezed by the high cost of money, while institutions have been looking for higher returns elsewhere. The U.S. money markets continue to attract funds and some institutions have been switching to Singapore, where the market is riding at a record level.

An increase in the supply of residential and office property has hit the secondary and tertiary property companies, with the more bearish sentiment spilling over on te prime development companies

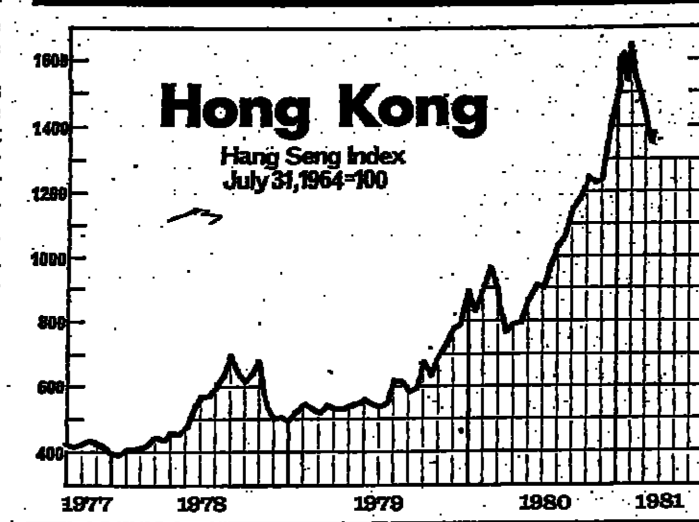
The market is also concerned about the Colony's export prospects for the current year. With the U.S. still showing little sign of economic lift-off, and the U.S. dollar holding up on the back of high interest rates, export margins will remain under strong pressure.

This year's slide has been less dramatic than the collapse of late last year. Daily turnover has generally held under HK$400m (U.S.$75m) and most analysts see a line of technical resistance around the 1,300 mark.

Among the predominantly Chinese, broking community there is almost universal dislike of enforced disclosure,

Arguments range from the claim that it is un-Chinese to disclose ownership of shares, to the prediction that it will be unworkable because the real owners will shelter behind an intricate network of nominee companies based abroad if need be. The prophets of gloom say that if the Government pursues its intention of legislating there will be a large outflow of funds

On the other hand, the determination of the Government to achieve disclosure and closer regulation of the market reflects a longstanding ambition of the authorities. At the end of 1979, an official committee on diversification put forward the ambition that Hong Kong should be the leading international financial centre in the Far East,



The diversification committee reported on how thin the Hong Kong market was. It concluded: "It is doubtful whether more than 20 companies are large enough to be considered of interest to international investors." In terms of numbers, property companies account for 40 per cent of those listed. But only 88 companies, out of the 242 listed in the late 1970's, had a market capitalisation of HK$100m (US$18.6m) or more.

The decision to introduce legislation follows the failure of the Government to persuade the market to accept a statutory takeover code

Battle is now joined, and is expected to be fierce. The market so dislikes regulation that there was an outcry when the Securities Commission adopted trigger point of 35 per cent as the level at which a company must make a general takeover bid.

Mr. Uisdein McInnes, the Commissioner for Securities, however, points out that other countries have strict disclosure rules. Another predominantly Chinese country, Singapore, he says, insists on disclosure of holdings of more than 5 per cent. Taiwan is planning to introduce disclosure rules.

Mr. McInnes suggested that with a proper will it would be possible to persuade the beneficial owners even of nominee companies to reveal themselves. But one stockbroker vehemently opposed to the disclosure plans to challenge this. "Chinese laundering techniques are the best in the world," he says.

The authorities face something of a dilemma with foreign owners, especially with South East Asian Chinese who may not in principle be averse to disclosure, but may not want the information divulged to their own governments. Some officials, saying that it is not the business of Hong Kong to do the police or the tax work of other countries, have hinted that the Hong Kong authorities may be satisfied with disclosure of holdings to the Commission which will not be made public.

The officials express their determination to go through with the legislation in spite of the outcry and the reaction of the market. The Colony executive council approved the plan without dissent, and the feeling in the Government offices, if not on the floors of the stock exchanges, is that it is time for Hong Kong to shed the image of the wild west casino of the Far East.

Hongkong Bank lifts profit 41%

THE Hongkong and Shanghai Banking Corporation lifted group profits for 1980 by some 41 per cent to HK$ 1.43bn (US$ 268m), compared with HK$ 1.01bn for 1979. The bank has also announced plans to raise some HK$ 2bn (US$ 375m) through a rights issue, to recommend a doubling of the authorised capital to HK$ 8bn, and to make a one-for-four scrip issue, writes Kevin Rafferty.

Profits are slightly higher than the market expected, although they are in line with the improved second-half performance of other local banks, including the subsidiary Hang Seng Bank.

Mr. Michael Sandberg, chairman of the bank, said that the results reflected a better second half in which the bank had benefited from higher interest rates around the world. For the first time the figures include a contribution from Marine Midland Banks of the U.S., in which the Hongkong Bank had acquired 51 per cent by the end of last year. The acquisition of Marine Midland lifts the Hongkong Bank into the top 50 banks in the world in terms of assets.

Instead of a final dividend, the bank will pay a special interim dividend of 47 cents a share, taking the payout for the year to 65 cents. This compares with 74 cents paid in 1979, but the capital has been increased by a three-for-five bonus issue. The total distribution for 1980 is just over HK$724m compared with HK$513m for 1979.

Paying a dividend in this form and before the close of the rights issue is intended to assist shareholders who wish to take up their rights.

The issue of 167.1m shares of HK$2.50 par value priced HK$12 each, will be on the basis of three new shares for every 20 shares held. The first instalment of 50 per cent will be payable on acceptance not later than May 5 and the remaining 50 per cent will be payable on October 22. Again to assist shareholders, the October 1981 interim dividend will be paid on October 15,

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CURRENCIES, MONEY and GOLD

Pound in demand

Sterling attracted late demand after a two point cut in MLR to 12 per cent prompted short-covering. Trading during the morning had been quiet, but activity increased during the afternoon so that the Bank of England's closing calculation on the pound's trade weighted index probably did not reflect the late improvement.

Dollar lost ground as U.S. prime rates fell to 18 per cent from 18½ per cent and Euro-dollar rates were marked down by about a quarter of a point.

European currencies improved against the dollar, while within the European Monetary System, the D-mark maintained its position as the most improved currency, followed in joint second place by the French franc and Dutch guilder. The Belgian franc was only marginally firmer after a rise in short-term bill rates, and was still outside its "alarm bell" limit from its central rate.

STERLING — trade weighted index (Bank of England) fell to 98.6 from 99.1, having stood at 98.8 in the morning and 98.7 at noon. Sterling recovered from earlier lows, as short covering developed late in the day, probably caused by a small sector still anticipating a three-point cut in MLR. Against the dollar the pound was quoted at $2.1990 around noon, but touched a best level of $2.2300 later in the day before closing at $2.2270-2.2300, a rise of 1.45 cents from Monday's close. Against the D-mark it rose to DM 4.6350 from DM 4.68, but fell against the French franc to FFr 11.0350 from FFr 11.0525.

DOLLAR — Trade weighted index (Bank of England) fell to 99.6 from 100.3. The dollar lost ground reflecting an easier trend in Euro-dollar rates and a cut in most leading U.S. prime rates to 18 per cent from 18½ per cent. Against the D-mark it fell to DM 2.1050 from DM 2.1125 and to SwFr 1.9210 from SwFr 1.9340. It firmed slightly against the yen to Y206.75 from Y206.0, reflecting rumours of a cut in the Japanese discount rate, although this did not appear to be a factor in Tokyo trading, and prospects of import restrictions on Japanese cars into the U.S.

D-MARK — A sharp rise in German interest rates coupled with the introduction of a special lombard facility has led to a recovery by the D-mark, and it is now one of the strongest currencies within the European Monetary System. Previously, high foreign interest rates and Germany's continuing large balance of payments deficit had put pressure on the mark against the dollar and within the EMS. Tension over the situation in Poland remains a market factor—The D-mark was mostly firmer at yesterday's fixing in Frankfurt, with the U.S. dollar fixed at DM 2.1106 compared with DM 2.1342 on Monday. An easing in U.S. prime rates to 18 per cent may have caused some switching out of dollars, while a continued calm in domestic money markets in Germany also added to the D-mark's strength. Within the EMS, the French franc eased to DM 42.39 per FFr 100 from DM 42.40, and the Dutch guilder was lower at DM 90.42 against DM 90.90 per Fl 100 previously. On the other hand the Belgian franc rose to DM 6.102 from DM 6.101 per BFr 100.

JAPANESE YEN — Very firm influenced by Japan's strengthening economic performance, and showing little overall change recently against the dollar despite numerous calls for a reduction in the Japanese discount rate—The Japanese yen was firmer against the dollar in Tokyo yesterday, with the U.S. unit closing at Y206.4.

THE POUND SPOT AND FORWARD

March 10	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1990-2.2300	2.2270-2.2300	0.55-0.65c dis	−3.23	2.10-2.20dis	−3.86
Canada	2.6380-2.6700	2.6660-2.6690	1.05-1.15c dis	−4.95	3.00-3.15dis	−4.61
Nethlnd.	5.14-5.19	5.18-5.19	1¼-¼c pm	1.73	2¼-1¼ pm	1.35
Belgium	76.10-76.80	76.70-76.80	1c pm-9 dis	−0.62	25-35 dis	−1.56
Denmark	14.60-14.71	14.69-14.71	¼ ore pm-1¼ dis	−0.46	5¼-7¼ dis	−1.82
Ireland	1.2710-1.2910	1.2895-1.2910	0.05-0.17p dis	−1.02	0.51-0.69dis	−1.86
W. Ger.	4.64-4.69	4.68-4.69	½ pf pm-½ dis	—	½-1½ dis	−0.85
Portugal	125.00-126.30	126.00-126.30	10c pm-65 dis	−2.61	25pm-205dis	−2.85
Spain	188.00-191.40	191.00-191.40	par-40c dis	−1.25	160-205 dis	−3.82
Italy	2,250-2,278	2,274-2,278	10¼-12¼ lire dis	−5.93	34¼-37¼ dis	−6.28
Norway	11.88-12.00	11.98-12.00	¾ore pm-⅞ dis	−0.06	¾ pm-1¼dis	−0.08
France	10.95-11.04½	11.02½-11.04½	1⅞-⅞c pm	1.49	par-1 dis	−0.18
Sweden	10.20-10.26½	10.25-10.26½	2¾-3¼ore dis	−3.73	10¼-11¼ dis	−4.39
Japan	455-461	460-461	1.96-1.66y pm	4.69	4.70-4.40 pm	3.96
Austria	32.85-33.10	33.00-33.10	5gro pm-par	0.91	par-9 dis	−0.54
Switz.	4.22½-4.29	4.28-4.29	2¼-1¼c pm	4.90	6⅞-6⅞ pm	5.25

Belgian rate is for convertible francs. Financial franc 79.80-79.90. Six-month forward dollar 3.60-3.80c dis, 12-month 6.90-7.20c dis.

THE DOLLAR SPOT AND FORWARD

March 10	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1990-2.2300	2.2270-2.2300	0.55-0.65c dis	−3.23	2.10-2.20dis	−3.88
Ireland†	1.7270-1.7390	1.7320-1.7340	0.30-0.40c dis	−2.42	0.90-1.05dis	−2.25
Canada	1.1957-1.1975	1.1963-1.1966	0.15-0.20c dis	−1.76	3.12-3.02 pm	5.28
Nethlnd.	2.3230-2.3375	2.3230-2.3250	1.10-1.00c pm	5.42	0.23-0.28dis	−0.85
Belgium	34.45-34.63	34.45-34.47	11-9½c pm	3.58	25-22 pm	2.73
Denmark	6.5975-6.6370	6.6000-6.6025	2-1½ore pm	3.18	4¼-3¼ pm	2.42
W. Ger.	2.0990-2.1155	2.1045-2.1055	0.70-0.60pf pm	3.70	1.80-1.70 pm	3.32
Portugal	56.30-56.95	56.48-56.58	20c pm-10 dis	1.06	50 pm-30 dis	0.71
Spain	85.65-86.20	85.80-85.90	25c pm-par	1.75	10 pm-20dis	−0.23
Italy	1,020-1,025	1,020¼-1,021¼	1¼-2¼ lire dis	−2.50	5-6 dis	−2.15
Norway	5.3800-5.4005	5.3900-5.3920	1.90-1.30ore pm	3.45	6.10-5.60 pm	4.34
France	4.9550-4.9900	4.9550-4.9650	2.10-2.00c pm	4.95	4.95-4.65 pm	3.83
Sweden	4.6120-4.6260	4.6150-4.6180	0.15-0.35ore dis	−0.65	0.30-0.50dis	−0.35
Japan	206.20-206.90	205.70-206.80	1.40-1.25y pm	7.69	4.10-3.95 pm	7.79
Austria	14.85-14.96	14.86-14.87	6.20-4.90gro pm	4.48	17.00-13.50pm	4.10
Switz.	1.9090-1.9325	1.9205-1.9215	1.45-1.35c pm	8.74	3.77-3.67 pm	7.74

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Mar. 10	Bank of England Index	Morgan Guaranty Changes%
Sterling	98.6	−27.1
U.S. dollar	99.6	−4.2
Canadian dollar	86.0	−18.3
Austrian schilling	116.4	+22.0
Belgian franc	107.9	+9.0
Danish kroner	89.8	−10.3
Deutsche mark	120.8	+40.7
Swiss franc	135.2	+75.1
Guilder	112.5	+15.5
French franc	86.7	−9.5
Lira	61.1	−53.8
Yen	147.0	+42.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.559231	0.544865
U.S. $	13	1.28164	1.19244
Canadian $	17.16	1.46279	1.42913
Austria Sch.	6¾	18.4661	17.9939
Belgium F.	12	42.7208	41.5607
Danish K.	11	8.19110	7.97978
D mark	7½	2.60722	2.54108
Guilder	9	2.88063	2.81117
French Fr.	9½	6.13996	5.99080
Lira	16½	1260.12	1229.10
Yen	7¼	254.101	246.954
Norwgn. Kr.	9	6.63961	6.48507
Spanish Pts.	8	106.361	103.682
Swedish Kr.	12	5.69162	5.55795
Swiss Fr.	4	2.38831	2.32609
Greek Dr'ch.	—	—	62.0723

OTHER CURRENCIES

Mar. 10	£	$		£ Note Rates
Argentina Peso	5097-5117	2514-2524	Austria	32.60-33.00
Australia Dollar	1.9130-1.9170	0.8610-0.8615	Belgium	79.00-80.00
Brazil Cruzeiro	160.67-161.67	73.01-73.38	Denmark	14.52-14.67
Finland Markka	9.01-9.04	4.0550-4.0600	France	10.93-11.03
Greek Drachma	112.162-113.009	51.25-51.35	Germany	4.64¼-4.68¾
Hong Kong Dollar	11.762-11.788	5.3110-5.3160	Italy	2230-2340
Iran Rial	164.60*	75.40*	Japan	456-462
Kuwait Dinar(KD)	0.601-0.607	0.2740-0.2742	Netherlands	5.13½-5.18½
Luxembourg Frc	76.70-76.80	34.45-34.47	Norway	11.90-12.02
Malaysia Dollar	5.0185-5.0250	2.2650-2.2680	Portugal	120-126
New Zealand Dlr	2.4125-2.4175	1.0855-1.0865	Spain	183¾-194¼
Saudi Arab. Riyal	7.35-7.43	3.3465-3.3515	Sweden	10.15-10.29
Singapore Dollar	4.6340-4.6465	2.0835-2.0865	Switzerland	4.23-4.27½
Sth African Rand	1.7450-1.7490	0.7830-0.7860	United States	2.20-2.23
U.A.E. Dirham	8.07-8.15	3.6720-3.6740	Yugoslavia	74-79

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.6199	+4.60	+1.76	±1.53
Danish Krone	7.72336	7.97386	+3.24	+0.40	±1.64
German D-Mark	2.48208	2.53684	+2.28	−0.56	±1.125
French Franc	5.85700	5.98748	+2.40	−0.44	±1.3557
Dutch Guilder	2.74362	2.80947	+2.40	−0.44	±1.512
Irish Punt	0.685201	0.685461	+4.08	+1.24	±1.668
Italian Lira	1157.79	1229.62	+6.20	+3.47	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar. 10	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.229	4.685	460.5	11.035	4.285	5.185	2276.	2.668	76.75
U.S. Dollar	0.449	1.	2.102	206.6	4.952	1.923	2.327	1021.	1.197	34.44
Deutschemark	0.213	0.476	1.	98.29	2.356	0.915	1.107	485.8	0.569	16.38
Japanese Yen 1,000	2.172	4.839	10.17	1000.	23.96	9.305	11.26	4942.	5.793	166.7
French Franc 10	0.906	2.019	4.245	417.3	10.	3.883	4.699	2063.	2.417	69.55
Swiss Franc	0.233	0.520	1.093	107.5	2.575	1.	1.210	531.0	0.623	17.91
Dutch Guilder	0.193	0.430	0.904	88.81	2.128	0.826	1.	439.0	0.514	14.80
Italian Lira 1,000	0.439	0.979	2.058	202.3	4.848	1.883	2.278	1000.	1.172	33.72
Canadian Dollar	0.375	0.835	1.756	172.6	4.137	1.606	1.944	853.2	1.	28.77
Belgian Franc 100	1.303	2.904	6.104	600.0	14.38	5.583	6.756	2965.	3.476	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 10)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 1/4	offer 16 3/8	bid 16 1/8	offer 16 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15-15¼	15¼-15½	16¼-16½	10½-11	3½-4¼	10-10¼	11-11¼	16-18	10-11	7¼-8
7 days' notice	14¼-14½	15⅜-15⅝	15½-16½	11-11½	2½-3	10¾-11¼	11-11½	17-19	11-11½	8¼-8½
Month	13⅝-13⅞	15⅝-15⅞	17¼-17¾	11-11½	7¾-7⅞	12⅛-12⅜	11½-11⅞	17¼-18¼	12¼-13	8½-8¾
Three months	13⅛-13⅜	16-16¼	17-17½	11¼-11⅝	8¼-8⅝	12⅛-12⅜	12-12¼	18¼-19¼	13-13⅜	8½-8¾
Six months	12⅞-13⅛	16-16¼	16¼-16½	11⅛-11⅝	6¾-6⅞	12¼-12½	12⅛-12⅜	18½-19½	14-14¼	8⅝-8⅞
One Year	12¼-12½	15⅝-15⅞	15⅝-15⅞	11¼-11½	7¼-7½	11⅞-12⅛	12-12½	19-20	14⅛-14⅝	8⅞-9⅛

SDR linked deposits: one-month 13⅛-13⅜ per cent; three-months 13⅞-14 per cent; six-months 13⅞-13⅞ per cent; one year 13⅛-13⅜ per cent. Asian $ (closing rates in Singapore): one-month 15⅝-15⅞ per cent; three months 16⅛-16⅜ per cent; six months 16⅛-16⅜ per cent; one-year 15⅝-15⅞ per cent. Long-term Eurodollar two years 15⅝-15⅞ per cent; three years 15⅝-15⅞ per cent; four years 15⅝-15⅞ per cent; five years 15-15⅜ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. The following nominal rates were quoted for London dollar certificates of deposit: one-month 15.50-15.60 per cent; three-months 15.60-15.70 per cent; six-months 15.50-15.60 per cent; one year 15.30-15.40 per cent.

INTERNATIONAL MONEY MARKET

Belgian rates rise

The Belgian National Bank announced further measures to help prop up the Belgian franc within the European Monetary System. The rate on one-month Treasury bills was increased yesterday to 13 per cent from 12.5 per cent, with two- and three-month rates left unchanged at 13.5 per cent and 13.75 per cent respectively. At the same time the rate on four-month bond fund paper at this week's auction has been increased to 14 per cent from 13.5 per cent. The franc continues to stand outside 75 per cent of its maximum permitted divergence from central rates, and the Belgian authorities have continued to increase interest rates on bills in an effort to avoid further rises in the discount rate or even a devaluation.

In Frankfurt the Bundesbank announced that West German President Karl Carstens will attend the next meeting of the central bank council to be held on March 19. This will be the first time since 1978 that a President has attended the meeting.

In the money market interest rates were considerably easier following the decision to keep open the Bundesbank's special Lombard facility. Use of the latter has tended to decline, with DM 5bn outstanding on Monday compared with DM 17½bn on Friday. While this facility remains open, conditions in the money market are likely to remain calm, and the Deutsche Mark continues to react favourably, and is now the most improved currency within the EMS. Call money yesterday was quoted at 11.75 per cent compared with a 12 per cent special Lombard rate, and 12 per cent on Monday. One-month money eased to 14 per cent from 14.75 per cent and three-month to 13.925 per cent from 14.75 per cent.

GOLD

Further rise

Gold rose $8 an ounce in the London bullion market yesterday to close at $484-487. The metal opened at $474-477, which was the day's low, and started to improve steadily to reach a high around the time of the afternoon fixing at $490-493. An easier trend in the dollar and further cuts in U.S. prime rates encouraged buying interest. However some profit towards the close saw gold finish just below its best level.

In Paris the 12½ kilo bar was fixed at FFr 85,200 per kilo ($533.04 per ounce) in the afternoon, compared with FFr 84,900 ($529.33) in the morning and FFr 84,250 ($521.38) on Monday afternoon.

	Mar. 10		Mar. 9	
Gold Bullion (fine ounce)				
Close	$484-487	(£217-218¼)	$476-479	(£215-216¼)
Opening	$474-477	(£214¼-215)	$470-473	(£215-216¼)
Morning fixing	$484.30	(£218.983)	$473.25	(£210.543)
Afternoon fixing	$487.25	(£218.498)	$474.25	(£214.390)
Gold Coins				
Krugerrand	$499-501	(£224¼-225)	$490-491½	(£221¼-222)
½ Krugerrand	$257-258	(£115½-116)	$252-254	(£113¼-114¼)
¼ Krugerrand	$131-132	(£58¾-59¼)	$128-130	(£57¾-58¼)
1/10 Krugerrand	$54-55	(£24¼-24¾)	$54-56	(£24¼-25¼)
Mapleleaf	$496-498	(£222-223¼)	$485-486½	(£219-219½)
New Sovereigns	$122¼-123¼	(£55-55½)	$119-120	(£53¾-54¼)
King Sovereigns	$141-143	(£63¼-64¼)	$137-139	(£61¾-62¾)
Victoria Sovs	$141-143	(£63¼-64¼)	$137-139	(£61¾-62¾)
French 20s	$172-175	(£77¼-78½)	$174-177	(£78¼-80)
50 pesos Mexico	$607-611	(£272¾-274¼)	$593-597	(£268-269¾)
100 Cor. Austria	$474-479	(£213-215¼)	$460-465	(£207¾-210)
$20 Eagles	$605-610	(£271¾-274¼)	$596-601	(£269½-271¼)

UK MONEY MARKET

MLR 12 p.c.

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

The two point cut in MLR had been more than discounted in the money market, and so rates yesterday tended to move up in anticipation of selling developing today. Sterling CDs finished around a quarter of a point firmer. The return to 10 per cent from 8 per cent on reserve assets prompted heavy lending in the interbank market, as money was placed with discount houses. Consequently overnight money opened at 16½-17 per cent and fluctuated between 20 per cent and 40 per cent before finishing at 50 per cent.

Day to day credit was again in short supply, and the authorities gave assistance on a small scale. This comprised small purchases of eligible bank bills and small lending through the discount "window" to one or two houses at 14 per cent for repayment today. The market was faced with the repayment of a moderate amount of official lending from last week, as well as run down bank balances on a small scale.

MONEY RATES

NEW YORK	
Prime Rate	18-19½
Fed. Fund	15⅞-16⅛
Treasury Bills (13-week)	13.92
Treasury Bills (26-week)	13.34
GERMANY	
Discount Rate	7.5
Overnight Rate	11.75
One month	14.0
Three months	13.925
Six months	13.35
FRANCE	
Discount Rate	9.5
Overnight Rate	11.5
One month	11.8125
Three months	12.1875
Six months	12.4375
JAPAN	
Discount Rate	7.25
Call (Unconditional)	8.375
Bill Discount (three-month)	

LONDON MONEY RATES

Mar. 10 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	16½-50	—	—	—	18	14	—	—	—
2 days notice	—	—	14¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	14-16	14	—	—	—	12¾-13¼	—	—	—
One month	13-12¾	12¾-13⅛	13	14¼-13⅞	13¼	13¼	12	12⅛	12¼	13⅛
Two months	12⅞-12½	12⅞-12¾	—	13⅝-13⅜	13	—	11⅞-12	12	12-12⅛	13⅛
Three months	12⅝-12½	12⅝-12¾	12⅝	13-12⅝	12⅞	13	11¾-12	11⅞-11¾	11¾-12	12⅝
Six months	12¼-12⅛	12¼-12⅜	12¼	12⅝-12¼	12¾	—	—	—	11¾-11⅞	12½
Nine months	12⅛-12	12⅛-12¼	—	12⅜-12	—	—	—	—	—	—
One year	12⅛-12	12⅛-12¼	12¼	12⅝-12⅛	12⅛	—	—	—	—	—
Two years	—	—	12⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13 per cent; four years 13¼ per cent; five years 13⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅛ per cent; four-month trade bills 12⅝ per cent.

Approximate selling rate for one-month Treasury bills 12⅛ per cent; two-months 12-12⅛ per cent; three-months 11⅞-11⅞ per cent. Approximate selling rate for one-month bank bills 12⅛ per cent; two months 11⅞-11¾ per cent; three-months 11⅝-11¾ per cent; one-month trade bills 12¾ per cent; two-months 12⅝ per cent and three-months 12⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from March 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 11.3912 per cent.

RESIDENTIAL PROPERTY

MEMORIAL SERVICE

A MEMORIAL SERVICE for Monsieur Gilbert Geas, former managing director of Banque Nationale de Paris Limited, will take place at 12 noon on Thursday, 19th March at Notre Dame de France, Leicester Place, London, WC2.

COMPANY NOTICES

TAKEDA CHEMICAL INDUSTRIES LTD.

6% CONVERTIBLE DEBENTURES DUE 31st MARCH, 1984

Pursuant to Section 3.04 of the Indenture relating to the issue of the above Debentures, NOTICE IS HEREBY GIVEN that the Conversion Price with respect to the Debentures, at present 152.4 Japanese Yen per share, will be adjusted to 132.5 Japanese Yen per share, effective opening of business 1st April, 1981, in Tokyo.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Trustee.

THE SOUTH BRITISH INSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Transfer books of this Company will be closed from 5.00 p.m. on 19th March, 1981 to 5.00 p.m. on 31st March, 1981.

By Order of the Board.
D. A. McDONALD
General Manager
for the United Kingdom.

A FINANCIAL TIMES SURVEY

TURKEY IN THE 80'S

The Financial Times proposes to publish a Survey on Turkey in the 1980s to coincide with the official centenary of Kemal Ataturk's birth. The provisional editorial synopsis is set out below:

INTRODUCTION Turkey is now at a crucial stage in its modern history. The post-war attempts to root a functioning parliamentary democracy have given way to a further period of military rule. The planned and closed economy of the young republic is now giving way to more familiar Western models of development. The economic and social problems of the past few years have tended to conceal how far the country has travelled since Kemal Ataturk led the country to its independence. What has to be built is a consensus on how to continue this progress in the 1980s.

Editorial coverage will also include:

TURKEY IN THE WORLD Foreign Policy. Relations with the U.S. and USSR. Greece and Cyprus. Turkey and the EEC.

THE ECONOMY The lessons of development. Economic recovery. Banking. Industry. Agriculture. Land reform. Crop mapping. Energy. The state economic enterprises. Communications. Trading with Turkey. Carpets and Turkish Delight. Workers' remittances. Tourism.

THE POLITICAL SCENE Constitutional developments. Violence. The armed forces. An interview with one of the leading figures in the Turkish regime. Turkey's Press. Labour.

THE SOCIAL SCENE Education. The role of women. The health system and population. Cultural developments.

THE PEOPLE The Financial Times will continue its practice of profiling leading figures in the political, business, academic and cultural life of the country.

THE COUNTRY North, south, east and west. Istanbul and Ankara.

Copy date: April 27 1981.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The size, contents and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

WORLD STOCK MARKETS

Dow 5 higher at mid-session

A FURTHER improvement occurred on Wall Street in heavy early dealings yesterday as several major banks cut their Prime rates and some cut their broker loan rates.

The Dow Jones Industrial Average, after advancing 11.80 on Monday, firmed 4.97 more to 981.39 at 1 pm. The NYSE All Common Index added 26 cents at $75.35, while gains led declines by an eight-to-five ratio. Turnover was up sharply to 39.84m shares from the previous day's 1 pm figure of 30.05m.

Citibank cut its Prime to 18 per cent from 18½, which follows an earlier move to 18 per cent by two smaller banks. Several banks cut their broker loan rates to 17 per cent from 17½. Broker rate changes often precede Prime Rate moves, and investors expect the Prime to slip still lower over the next few weeks.

Volume leader Sony rose ⅞ to $18⅜, a new high. Analysts said Sony, which has a large institutional following, continues to benefit from the strong performance of its Betamax video tape recorder, among other things.

RCA, in second place on the actives list, lost 2⅛ to $28⅞ ex-dividend. RCA said heavy spending to promote its new videodisc product, Selectavision, and weak performance of its NBC broadcasting unit will depress first-quarter profits.

THE AMERICAN SE Market Value Index put on 0.44 to 340.33 at 1 pm. Volume 3.51m shares (2.99m).

Volume leader CI Mortgage hardened ⅛ to $3. Active Syntex added $1 at $63⅞ and Universal Resources 1⅛ at $28⅛.

Canada

Markets hardened to show a firm bias in active trading yesterday morning. The Toronto Composite index was 5.1 higher at 2,196.9 at mid-day while Golds rose 113.2 to 3,898.6 and Metals and Minerals 17.3 to 2,214.3. Oil and Gas, however shed, 5.7 to 4,173.5.

Among Golds, Dome Mines increased 2¼ to C$90½, Campbell Red Lake 2¼ to C$60¼, Lake Shore C$1 to C$25 and Camflo ⅞ to C$34⅞.

Germany

Monday's recovery movement gathered pace yesterday in active dealings, with brokers citing continuing stimulation from an active and strengthening West German Bond market as the main cause for the surge.

Market sources said selective foreign purchasing and higher closing shares on Wall Street on Monday also contributed to the market upswing. Brokers added that lower Call Money rates, down to 11.75 per cent which is below the special Lombard rate of 12 per cent, has unleashed new capital for share trading.

Trading was particularly lively during the first hour, but calmed down towards the end of the session, bringing some shares off their highs for the day. The Commerzbank index rallied 4.3 more to 678.5 for a two-day gain of 9.8.

In Chemicals, Schering, up DM 3.90 on Monday, rose DM 4.20 more to DM 251.00 on an encouraging interim report. BASF added DM 1.90.

Among Machine Manufacturers, Deutsche Babcock gained DM 4, Demag DM 3.30 and Linde DM 2, but GHH slipped DM 1.50.

Deutsche Bank advanced DM 3.30 and Siemens, in Electricals, DM 3.50.

Prices of both Domestic Bonds and Mark-denominated Eurobonds were higher in active trading. Signs of lower U.S. interest rates stimulated the Mark-denominated markets. Bundesbank sold DM 65.1m of Public sector Bonds, taking advantage of the upswing, against DM 71.5m sales on Monday.

Tokyo

Activity remained at a low ebb with scattered profit-taking leaving an easier tendency at the close. The market opened higher in response to the overnight advance on Wall Street, but soon drifted down in subdued trading.

The Nikkei-Dow Jones Average lost 9.32 at 7,059.41 and the Tokyo SE index 0.77 at 507.17, while falls outnumbered rises on the First Market section by 378 to 285 following volume of 180m shares (150m).

Motors, Natural Resources, Foods and many front-runners closed lower, while high-priced Light Electricals and Precision Instruments, after an initial rise, finished mixed on balance.

Honda Motor shed Y8 to Y542, Nippon Oil Y40 to Y1,380, Mitsui Mining Y4 to Y721, Morinaga Milk Y13 to Y347, Dai Nippon Printing Y4 to Y604, Nippon Electric Y8 to Y563, Minolta Y4 to Y845, TDK Electronics Y20 to Y3,920 and Victor Y30 to Y2,800.

In contrast, Sony added Y80 at Y3,600, Pioneer Electronic Y20 at Y3,060, Fuji Photo Film Y40 at Y1,140, Takeda Chemical Y19 at Y865, Tokyo Marine Insurance Y5 at Y620 and Hitachi Y2 at Y337.

Hong Kong

Reflecting covering of short positions and optimism ahead of the Hongkong and Shanghai Banking 1980 results, due after yesterday's market close, most shares recouped some of their recently lost ground in another moderate business. The Hang Seng Index, after falling 43 points more on Monday, rallied 24.07 to 1,371.42.

HK Banking improved 30 cents to HK$21.00, Swire Pacific "A" 60 cents to HK$13.80, HK Land 40 cents to HK$10.60 and Jardine Matheson 30 cents to HK$20.60.

Sun Hung Kai Securities put on 10 cents to HK$4.95 after higher final dividend and profits.

Australia

Some higher Australian share values in London overnight, a weaker U.S. dollar and an improvement in the Bullion price helped stock prices to retain a firming tendency yesterday in moderate activity.

The Australian All Ordinaries index recovered 4.0 more to 657.2, Metals and Minerals 6.2 to 575.4 and Oil and Gas 11.6 to 850.4.

BHP ended 5 cents higher at A$13.30, after touching A$13.35, while the new rights shares added 17 cents at A$6.12.

Most Energy issues were higher, but Ampol Exploration eased 5 cents to A$3.70. Bridge Oil rose 10 cents to A$8.50, as did Central Pacific to A$5.00, while Southern Pacific added 5 cents at A$1.90. Strata 10 cents at A$3.30, UCL 3 cents at A$3.25 and Crusader Oil 10 cents at A$6.00.

Among Gold Minings, Central Norseman moved ahead 40 cents to A$6.90, GMK 10 cents to A$3.95, Poseidon 15 cents to A$4.15 and Emperor 8 cents to A$1.65.

Elsewhere in Minings, MIM advanced 10 cents to A$4.00 for a two-day rise of 30 cents. Western Mining put on 5 cents to A$4.65, but North BH receded 6 cents to A$3.01.

Johannesburg

A further rally in the Bullion price prompted a fresh recovery in Gold shares, but trading remained thin. Dealers reported some London buying. Gold Fields rose R6 to R60, FS Geduld R2.50 to R50.00 and Buffels R2 to R43.50.

Mining Financials were mostly higher in line with Golds, while Diamond leader De Beers, awaiting annual results, moved up 5 cents to R9.38.

Amsterdam

Shares ended on a mixed note. KLM featured firmly with a rise of Fl 6.50 to Fl 83.50 in Dutch Internationals.

Constructor Bos Kalis improved Fl 1.80, but elsewhere, Amfas declined Fl 3.50 on lower-than-expected 1980 profits.

Closing prices for North America were not available for this edition.

Indices

NEW YORK —DOW JONES

	Mar. 9	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Mar. 2	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
◆Industr'ls	976.42	964.62	964.62	971.44	966.02	977.99	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	62.55	62.12	62.13	62.14	61.95	62.14	75.61 (23/6)	60.96 (18/12)	—	—
Transport.	405.43	405.75	404.40	404.54	395.97	396.70	425.68 (28/11)	233.69 (27/3)	425.68 (28/11/80)	12.23 (8/7/32)
Utilities	108.51	108.11	108.15	108.57	108.08	108.11	117.61 (5/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000's†	48,180	45,940	45,380	47,260	48,780	47,710	—	—	—	—

◆Day's high 981.22 low 962.79

Ind. div. yield %	Mar. 6	Feb. 27	Feb. 20	Year ago (approx)
	5.74	5.66	5.87	6.00

STANDARD AND POORS

	Mar. 9	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Mar. 2	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	148.86	147.32	147.42	148.53	148.24	150.12	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	131.12	129.85	129.93	130.86	130.56	132.01	140.52 (28/11)	98.22 (16/2/80)	140.52 (28/11/80)	4.40 (1/6/32)

	Mar. 4	Feb. 25	Feb. 18	Year ago (approx)
Ind. div. yield %	4.63	4.46	4.67	5.14
Ind. P/E Ratio	9.27	9.11	9.11	7.95
Long Gov. Bond Yield	12.87	12.75	12.68	12.32

N.Y.S.E. ALL COMMON

Mar. 9	Mar. 6	Mar. 5	Mar. 4	1980/81 High	1980/81 Low
75.09	74.46	74.51	74.98	81.02 (28/11)	56.30 (22/1/80)

Rises and Falls	Mar. 9	Mar. 6	Mar. 5
Issues Traded	1,906	1,879	1,910
Rises	948	783	719
Falls	618	685	769
Unchanged	340	411	422
New Highs	79	57	74
New Lows	15	12	11

MONTREAL

	Mar. 9	Mar. 6	Mar. 5	Mar. 4	1980/81 High	1980/81 Low
Industrials	364.24	365.82	363.50	362.57	425.88 (29/2/80)	323.51 (27/3)
Combined	346.21	345.89	345.91	344.77	378.96 (20/10)	286.80 (27/3)
TORONTO Composite	2191.8	2190.1	2181.4	2176.5	2402.2 (28/11)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sears Roebuck	1,003,600	17⅛	+½	General Motors	515,100	52⅝	+⅞
Gulf Oil	839,700	36⅞	+⅜	Polaroid	437,900	27⅝	+1⅞
Sony	740,100	17½	+⅜	IBM	415,400	62⅞	+1
Amax	594,700	57⅝	−¼	Amer. Airlines	395,200	14	+⅛
Du Pont	545,400	50	+1⅛	Mobil	391,700	64⅛	+⅛

	Mar. 10	Mar. 9	Mar. 6	Mar. 5	1980/81 High	1980/81 Low
AUSTRALIA All Ord. (1/1/80)	657.2	653.2	647.1	648.2	746.2 (17/11)	509.1 (3/1/80)
Metal & Minrls. (1/1/80)	575.4	569.2	558.2	559.0	618.0 (17/11)	482.5 (28/3)
AUSTRIA Credit Aktien (2/1/62)	63.05	63.28	63.25	63.18	69.49 (7/1/80)	63.05 (10/3/81)
BELGIUM Belgian SE (31/12/63)	82.63	82.81	83.05	83.28	105.75 (11/2/80)	82.42 (7/1/81)
DENMARK Copenhagen SE (1/1/73)	104.60	107.97	107.93	107.17	107.97 (9/3/81)	74.78 (5/3)
FRANCE CAC General (29/12/61)	111.8	111.9	110.8	110.2	129.3 (5/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	(u)	104.0	103.7	102.8	104.0 (9/3/81)	95.4 (27/1/81)
GERMANY FAZ-Aktien (31/12/58)	219.86	218.06	216.5	217.45	236.99 (25/2/80)	212.75 (28/3)
Commerzbank (Dec. 1953)	678.5	672.2	668.7	670.7	749.2 (25/2/80)	696.4 (16/2/81)
HOLLAND ANP-CBS General (1970)	87.2	87.2	87.5	88.0	90.5 (26/2/81)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.1	65.9	64.9	64.3	68.2 (11/1/80)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	1371.42	1347.35	1390.98	1392.45	1654.57 (13/11)	738.9 (19/3)
ITALY Banca Comm. Ital (1972)	226.98	232.19	233.41	227.25	236.47 (2/3/81)	85.11 (2/1/80)
JAPAN Dow Average (16/5/49)	7058.41	7068.73	7081.19	7094.83	7522.96 (2/2/81)	6475.93 (27/3)
Tokyo New SE (4/1/68)	507.17	507.94	509.28	509.16	511.84 (2/2/81)	449.01 (10/3)
NORWAY Oslo SE (1/1/72)	121.80	122.08	122.0	122.50	144.70 (14/2/80)	110.12 (28/3)
SINGAPORE Straits Times (1966)	825.47	818.05	818.08	808.13	825.47 (10/3/81)	429.75 (3/1/80)
SOUTH AFRICA Gold (1958)	(u)	588.3	571.9	582.9	1026.1 (22/9)	496.5 (18/3)
Industrial (1958)	(u)	582.3	562.8	563.1	669.5 (6/11)	456.9 (2/1/80)
SPAIN Madrid SE (30/12/80)	112.09	(c)	111.57	111.94	114.26 (17/2/81)	100.0 (30/12/80)
SWEDEN Jacobson & P. (1/1/58)	481.65	480.86	475.06	471.82	481.65 (10/3/81)	334.72 (17/1/80)
SWITZERLAND Swiss BankCpn. (31/12/58)	293.4	(u)	294.6	294.6	317.9 (11/2/80)	275.0 (28/3)
WORLD Capital Intl. (1/1/70)	—	153.3	152.3	152.9	154.6 (20/11)	129.5 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last name[illegible] † Excluding bonds. ‡ 400 industrials. § 400 industrials[illegible] [illegible]sports. (c) Closed.

هكذا من الأصل

FINANCIAL TIMES

Eurobond Quotations and Yields

AIBD The Association of International Bond Dealers

AT FEBRUARY 28 1981

The Association of International Bond Dealers (AIBD) compiles current market quotations and yields for Eurobond issues. These quotations and yields are published monthly by the Financial Times. The Association's prices and yields are compiled from quotations obtained from market-makers on the last working day of each month. There is no single stock exchange for Eurobonds in the usually recognised sense—secondary market trading business is done on the telephone between dealers scattered across the world's major financial centres. Membership of the AIBD (which was established in 1969) comprises over 550 institutions from about 30 countries.

Eurobonds in February

BY FRANCIS GHILES

FEBRUARY provided little good news to cheer the international bond market and much uncertainty.

The surge in the value of the U.S. dollar encouraged investors to put money on deposit but not to buy longer dated bonds. The strength of the dollar and the parallel weaknesses of the D-mark and Swiss franc spelt difficult days for the former hard currency sectors.

The West German markets were severely hit by the rise in interest rates engineered by the Bundesbank during the third week of the month. Between February 19 and 25, Euro Deutsche Mark six month rates rose by 2$\frac{11}{16}$ to 13¼ per cent. Shorter-term rates moved even higher. The result was a sharp mark down in foreign bond prices over this period—about 1½ points on average.

Not all of this marking down was in response to selling pressure. But many foreign investors are known to have given orders to ensure that their portfolios be cleared of D-mark paper. And when they reconsider the D-mark, West German bankers are convinced they will put their money on short-term deposit rather than invest in longer dated bonds.

Swiss franc bonds were not so severely affected. Coupons on foreign issues have been rising since late January. Most new issues are attracting good support. The currency did not weaken so much as the D-mark against the dollar. Interest rates have thus risen less.

West German dealers have seldom had so depressing a time than during the past month, all the more so because few of them hold out much hope for the next few months.

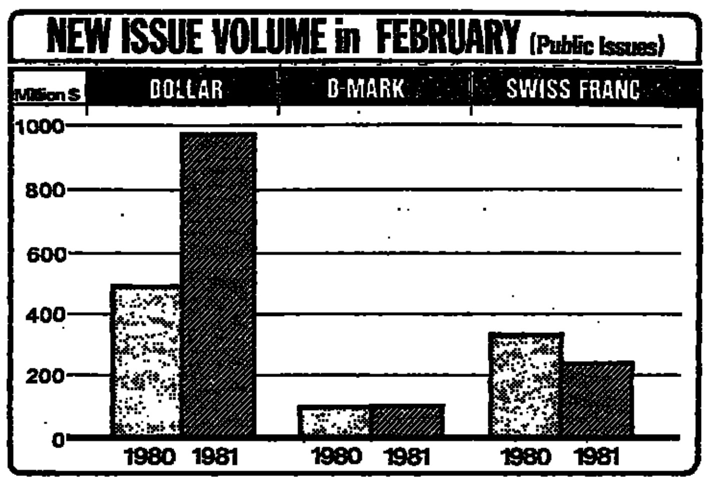
Two issues for supranational borrowers — the ECSC and the Interamerican Development Bank — were launched, carrying coupons of 10 per cent. They were placed mainly with West German investors. So long as there is no evidence of active interest in such paper from abroad, the Bundesbank, which is keen to limit capital exports, would be reluctant to see a full re-opening of the new issue market for D-mark foreign bonds.

Bad conditions led to the first ever withdrawal of a guilder Eurobond, but in the French franc sector banks continued bringing new issues to the market, buoyed by relatively high interest rates and a strong franc.

The FFr 200m 14¾ per cent five-year issue for Solvay, priced at a premium, was a notable success.

The dollar sector was fairly dull throughout the month. Dealers reported some nibbling away at fixed interest seasoned issues, especially at the shorter end of the maturity range and when the yield offered to investors was around or above 15 per cent. However, trading volume remains thin.

President Reagan's new programme of budget cuts failed to move the market which had anticipated most of the measures the President now has to convince Congress to accept. Bankers agree that this may prove a difficult task and therefore tended to suspend judgement on the final impact of the package.



Activity came in bursts — as is customary in this market. At the beginning of the month, Goldman Sachs brought a 16 per cent three-year bond for Ford Credit. Enthusiastically received, it was increased in size and immediately went to a premium in secondary market trading.

In the wake of Ford Credit, the market had to cope with five finely priced fixed interest bonds in one day and rumours of more to come.

The result was not what it has been in recent months — the underwriters rebelled and two issues were pulled. Others, which the banks kept alive by dint of taking a large number of bonds on to their books, fell to heavy discounts as soon as they started trading.

The 14¼ per cent bond to 1986 for Eldorado Nuclear of Canada was among the most severely hit. But many bankers drew comfort from the events of that early week in the month. They concluded that a measure of sanity had perhaps been injected into the market, and hoped that the next time a new issue window flies open, borrowers will not pile in as they have so often done in the past, especially on unrealistic terms.

However, the very heavy list of potential borrowers, particularly those who might be crowded out of the U.S. domestic market by heavy U.S. Treasury borrowing, remains a subject of great concern.

Very high and volatile interest rates, combined with the losses suffered on new issues by a number of houses, has resulted in fewer and fewer dealers being prepared to make a market in a wide selection of bonds.

The flow of Floating Rate Notes continues with large issues for Ferrovie dello Stato ($225m) and Citicorp Overseas Finance ($250m).

The warrants attached to the latter issue offer an incentive to those investors who feel that interest rates might drop by September. They can be used to purchase 10-year bonds at par with a fixed coupon of 12½ per cent. The 3½-year FRNs pay interest at the three-month Libor bid rate for three-month dollars, and thus offer a yield ½ per cent above what can be obtained on certificates of deposit.

In the yen sector, following the re-opening of the Samurai market at the end of January, three borrowers were able to launch issues successfully — the Kingdom of Sweden, the World Bank, and the Inter-american Development Bank.

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The table of quotations and yields gives the latest rates available on February 28, 1981. This information is from reports from official and other sources which the Association of International Bond Dealers considers to be reliable, but adequate means of checking its accuracy are not available and the Association does not guarantee that the information it contains is accurate or complete.

All rates quoted are for indication purposes only and are not based on, nor are they intended to be used as a basis for, particular transactions. In quoting the rates the Association does not undertake that its members will take in all the listed Eurobonds and the Association, its members and the Financial Times Limited do not accept any responsibility for errors in the table.

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US DOLLARS-ALGERIA

Issue amount / Amount outstanding	Year of issue / Issue price	Borrower / Coupon maturity	Price	Yield to maturity / to average life	Current yield
25	1977 / 100.00	[illegible] D'ALGERIE 9.00 15/ 8/1982	89	18.03	10.11

US DOLLARS-ARGENTINA

Issue amount / Amount outstanding	Year of issue / Issue price	Borrower / Coupon maturity	Price	Yield to maturity / to average life	Current yield
50	1979 / 98.50	ARGENTINE REPUBLIC ♦9.875 1/ 8/1984	84	16.25	11.76

US DOLLARS-AUSTRALIA

Issue amount / Amount outstanding	Year of issue / Issue price	Borrower / Coupon maturity	Price	Yield to maturity / to average life	Current yield
30 / 4.2	1963 / 97.50	AUSTRALIA,COMMONWEALTH 5.00 1/ 4/1983 S	87	12.59 / 18.49	5.83
30 / 1.7	1962 / 98.25	AUSTRALIA,COMMONWEALTH 5.50 15/ 1/1982 S	92 1/2	17.17 / 20.26	6.03
30 / 2.5	1962 / 97.50	AUSTRALIA,COMMONWEALTH 5.50 1/ 7/1982 S	91 1/2	12.95 / 17.37	6.10
25 / 2.8	1961 / 99.00	AUSTRALIA,COMMONWEALTH 5.50 1/10/1982 S	91	12.20 / 18.19	6.16
25 / 7.0	1965 / 98.50	AUSTRALIA,COMMONWEALTH 5.50 1/ 5/1985 S	86	9.88 / 13.49	6.50
25 / 7.0	1965 / 99.75	AUSTRALIA,COMMONWEALTH 5.75 1/11/1985 S	85	10.06 / 12.88	6.88
25 / 7.8	1967 / 97.50	AUSTRALIA,COMMONWEALTH 6.50 15/ 6/1982	91	14.50 / 16.02	7.14
100	1977 / 100.00	AUSTRALIA,COMMONWEALTH 7.50 1/ 9/1984	82 7/8	13.95	9.05
350	1978 / 100.00	AUSTRALIA,COMMONWEALTH 8.00 1/ 4/1982	92 7/8	15.52	8.61
125	1976 / 99.88	AUSTRALIA,COMMONWEALTH 8.125 15/11/1983 S	87 3/8	14.32	9.32
75	1976 / 100.00	AUSTRALIA,COMMONWEALTH 8.25 1/ 6/1981 S	97 3/4	18.00	8.62
120	1976 / 100.00	AUSTRALIA,COMMONWEALTH 8.25 1/10/1983	87 5/8	14.22	9.42
125	1977 / 100.00	AUSTRALIA,COMMONWEALTH 8.25 1/12/1984 S	86 3/8	14.16	10.02
150 / 150.0	1977 / 100.00	AUSTRALIA,COMMONWEALTH 8.25 1/ 9/1992	70 3/4	13.36 / 14.99	11.66
175	1978 / 100.00	AUSTRALIA,COMMONWEALTH 8.45 1/ 6/1983 S	89 1/4	14.63	9.49
120	1976 / 100.00	AUSTRALIA,COMMONWEALTH 8.50 1/10/1986	81 1/2	13.37	10.43
30	1975 / 100.00	AUSTRALIA,COMMONWEALTH 8.75 15/ 6/1983 S	90	14.45	9.96
30	1976 / 99.63	AUSTRALIA,COMMONWEALTH 8.75 1/ 6/1986 S	82 1/2	13.95	10.89
60 / 60.0	1976 / 99.50	AUSTRALIA,COMMONWEALTH 8.75 1/10/1991	75 5/8	13.11 / 14.78	11.57
100 / 100.0	1977 / 98.88	AUSTRALIA,COMMONWEALTH 8.875 1/12/1997 S	70 3/8	13.72 / 15.11	12.96
75 / 75.0	1976 / 99.50	AUSTRALIA,COMMONWEALTH 9.00 15/11/1996 S	72 1/8	13.70 / 15.33	12.87
75 / 75.0	1978 / 99.63	AUSTRALIA,COMMONWEALTH 9.125 1/ 6/1993 S	75	13.75 / 14.89	12.54
75 / 71.3	1976 / 98.50	AUSTRALIA,COMMONWEALTH 9.125 1/ 6/1996 S	73 1/2	13.63 / 15.03	12.80
25 / 17.0	1975 / 99.00	PAPUA NEW GUINEA,GOVT OF 9.50 15/ 3/1983	90 7/8	14.97 / 17.33	10.45
25	1977 / 100.50	ALCAN AUSTRALIA 8.50 15/ 4/1989	74 5/8	13.88	11.39
60	1979 / 100.00	ALCOA OF AUSTRALIA 10.00 15/ 6/1989	81 7/8	13.77	12.21
80	1980* / 100.00	ALCOA OF AUSTRALIA 12.00 15/ 1/1988	86 3/4	15.22	13.83
25 / 6.3	1974 / 100.00	AUSTRALIAN IND DEVT CORP 10.25 1/12/1981	94	19.21	10.90
40 / 38.2	1977 / 100.00	AUSTRALIAN MIN & SMELT'G 9.25 15/ 6/1992	72 7/8	14.18 / 15.24	12.69
10	1977 / 100.50	AUSTRALIAN RESOURCES 8.25 1/12/1982	87 1/2	16.96	9.43
30 / 24.0	1975 / 100.00	AUSTRALIAN RESOURCES 9.50 1/ 3/1983	90	15.67 / 16.21	10.56
30	1979 / 99.50	AUSTRALIAN RESOURCES 9.625 1/ 8/1984	87 1/4	14.55	11.03
30	1980* / 99.50	AUSTRALIAN RESOURCES 12.00 1/11/1983	94 1/2	14.54	12.70
30	1977 / 99.50	BROKEN HILL PROPS 8.00 1/ 4/1985	80 1/2	14.65	9.94
30 / 30.0	1977 / 99.00	BROKEN HILL PROPS 8.25 1/ 4/1989	73 1/4	13.96 / 14.90	11.26
30	1975 / 100.00	BROKEN HILL PROPS 9.50 1/ 5/1981	97 3/8	25.37	9.76
20 / 15.7	1975 / 98.50	BROKEN HILL PROPS 10.00 1/ 5/1990	83 1/2	13.19 / 14.10	11.98
20 / 11.0	1970 / 98.50	COMALCO INV EUROPE 9.50 1/11/1985	87 1/2	13.21 / 15.17	10.86
25 / 18.0	1975 / 100.00	COMALCO LTD 10.00 1/ 4/1987	87 1/2	13.09 / 14.83	11.43
40 / 40.0	1979 / 100.00	COMALCO INV EUROPE 10.25 15/ 7/1991	77 3/8	14.58 / 15.52	13.25
40 / 32.8	1976 / 100.00	HAMERSLEY HOLDINGS 8.50 1/ 1/1984	85 1/2	15.11 / 15.50	9.94
40 / 37.0	1976 / 100.00	HAMERSLEY HOLDINGS 9.50 1/ 1/1992	74 1/8	14.32 / 15.30	12.82
25 / 18.0	1972 / 100.00	HAMERSLEY IRON FIN 8.00 15/11/1987	76 1/2	13.52 / 16.08	10.46
20 / 12.5	1971 / 99.50	HAMERSLEY IRON FIN 9.00 1/ 5/1986	84	13.46 / 16.24	10.71
20 / 10.0	1970 / 97.00	HAMERSLEY IRON FIN 9.50 1/ 9/1985	88 1/2	12.98 / 14.95	10.73
35 / 26.6	1975 / 100.00	HAMERSLEY IRON FIN 10.00 1/ 6/1982	93	16.45 / 16.72	10.75
23 / 20.3	1972 / 99.75	K MART(AUST)PROPERTIES 7.75 15/ 9/1984	83	14.11 / 14.32	9.34
36 / 34.2	1976 / 99.50	K MART(AUST)FIN 9.00 1/10/1986	82	13.80 / 14.19	10.98
25 / 14.5	1971 / 100.00	MOUNT ISA FIN 8.75 15/11/1986	81 1/2	13.58 / 15.69	10.74
10	1976 / 100.00	THI INTL FIN 9.00 1/ 7/1983 WW	115	2.34	7.83
10	1976 / 100.00	THI INTL FIN 9.00 1/ 7/1983 XW	85	17.22	10.39

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Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-SWEDEN (CONTINUED)			
60 / 60.0	1979 / 99.00	STOCKHOLM,CITY OF 9.75 15/ 3/1994 S	73 1/8	14.42 / 15.57	13.40
30 / 25.0	1976 / 99.00	SVENSKA HANDELSBANKEN 9.25 1/ 3/1986	82 5/8	14.34 / 16.51	11.20
45	1981* / 100.00	SVENSKA HANDELSBANKEN 13.75 15/ 4/1988	95	14.91	14.47
25 / 10.0	1976 / 100.00	SWEDISH EXPORT CREDIT F 7.875 15/10/1983 S	91	12.31 / 16.06	8.84
25 / 7.5	1975 / 99.00	SWEDISH EXPORT CREDIT 9.00 15/ 4/1982	96 1/4	12.69 / 15.46	9.35
20 / 17.1	1979 / 100.00	SWEDISH EXPORT CREDIT F 9.50 15/ 4/1986 S	86	13.79 / 16.35	11.55
50	1980* / 99.75	SWEDISH EXPORT CREDIT 12.00 1/10/1983	93 3/8	15.05	12.82
50	1980* / 99.50	SWEDISH EXPORT CREDIT 12.50 1/ 5/1985	93 5/8	14.60	13.35
75	1981* / 100.00	SWEDISH EXPORT CREDIT 13.00 15/ 1/1986	94 3/4	14.55	13.72
15 / 10.5	1973 / 100.00	SWEDISH INVESTMENT BANK 7.50 15/ 1/1988	76	12.97 / 15.78	9.87
15 / 10.5	1972 / 99.00	SWEDISH INVESTMENT BANK 7.75 1/11/1987	79	12.56 / 15.16	9.81
15 / 15.0	1976 / 100.00	SYDKRAFT 9.25 15/ 9/1986	77 3/8	15.59 / 18.91	11.95
30 / 13.9	1976 / 100.00	VATTENFALLSVERKET F 7.75 1/12/1983 S	87 1/4	13.86 / 16.46	9.08
23 / 20.5	1977 / 100.00	VATTENFALLSVERKET F 7.75 15/ 9/1984	83 1/2	13.90 / 15.30	9.28
25 / 20.2	1972 / 100.50	VOLVO 8.00 1/ 9/1987	72 7/8	14.72 / 17.59	10.98
35	1977 / 100.00	VOLVO 8.00 1/ 3/1987	71 1/2	15.65	11.19
25	1975 / 99.50	VOLVO 9.50 1/ 3/1985	85 1/4	14.61	11.14
		US DOLLARS-SWITZERLAND			
35 / 5.8	1971 / 100.00	ALUSUISSE INT WW 7.00 1/ 7/1986	96 1/4	18.79	7.27
75	1977 / 100.00	FIAT FIN CORP 8.00 1/ 8/1982	90 3/8	15.94	8.85
35 / 34.5	1972 / 98.50	SWISS ALUMINIUM AUST LTD 8.00 1/ 7/1987	84 3/4	11.49 / 13.97	9.44
		US DOLLARS-VENEZUELA			
100	1977 / 99.89	VENEZUELA,REPUBLIC OF 7.875 15/ 6/1982 S	90 5/8	16.77	8.88
100	1977 / 99.50	VENEZUELA,REPUBLIC OF 8.00 15/ 2/1984	82 5/8	15.90	9.71
100	1977 / 99.75	VENEZUELA,REPUBLIC OF 8.125 15/10/1984 S	80 3/8	15.95	10.36
30 / 50.0	1977 / 99.50	VENEZUELA,REPUBLIC OF 8.75 15/10/1992 S	68 5/8	14.89 / 17.02	13.16
15 / 9.7	1972 / 100.00	VENEZUELA TEL 8.25 15/12/1987 S	78	13.69 / 15.79	10.86
		US DOLLARS-UTD KINGDOM			
200	1978 / 100.00	UNITED KINGDOM 8.50 1/ 5/1985 S	84 1/4	14.01	10.34
150 / 150.0	1978 / 99.00	UNITED KINGDOM 8.875 1/ 5/1993 S	73 7/8	13.69 / 14.93	12.37
30 / 24.0	1973 / 100.00	AIRLEASE INT FIN 8.75 1/10/1988	77	13.79 / 16.96	11.36
20 / 12.0	1971 / 100.00	AIRLEASE INT FIN 9.00 1/ 8/1986	82 7/8	13.63 / 16.86	10.86
30 / 30.0	1979 / 99.00	ALEXANDER HOWDEN FIN WW 9.50 1/ 6/1991	73	14.74 / 16.06	13.01
30 / 30.0	1979 / 99.00	ALEXANDER HOWDEN FIN XW 9.50 1/ 6/1991	64	17.16 / 19.05	14.84
75	1981* / 99.50	AMOCO (UK) EXPLORATION 13.25 15/ 1/1988	94 3/4	14.48	13.98
60 / 30.0	1977 / 100.50	ASHLAND OIL (GB) 7.50 1/ 5/1982	94 5/8	12.63 / 16.64	7.93
20 / 12.5	1978 / 99.50	B.I.C.C. FIN 7.75 1/ 2/1987	77 1/8	13.61 / 16.89	10.05
30 / 18.0	1971 / 100.00	BARCLAYS BANK INT 8.25 1/12/1986	81 3/8	13.02 / 16.01	10.14
50 / 30.0	1976 / 100.00	BARCLAYS BANK INT F 9.125 1/ 4/1985	83	14.95 / 16.55	10.99
25 / 25.0	1976 / 100.00	BARCLAYS BANK INT 9.125 15/ 4/1987	82	13.62 / 14.29	11.13
25	1975 / 100.00	BARCLAYS BANK INT 9.25 1/ 7/1982	92 5/8	15.61	9.99
00	1977 / 100.00	BARCLAYS O'SEAS INVEST 8.50 15/ 3/1992	71 1/2	13.48	11.89
1	1967 / 100.00	BEECHAM INT 6.25 31/ 7/1981 S	94 1/2	21.39	6.72
45 / 28.0	1971 / 100.00	BEECHAM INT 8.25 1/ 2/1986	83 5/8	12.94 / 14.49	9.87
50 / 50.0	1977 / 100.00	BOWATER CORP 9.25 15/ 5/1992	70 3/8	14.80 / 16.08	13.14
30	1976 / 100.00	BOWATER CORP 9.75 15/ 7/1986	81 1/4	15.03	12.00
16 / 11.2	1972 / 99.00	BRITISH LAND 8.00 1/11/1987	73	14.56 / 18.75	10.96
50	1980* / 99.50	BRITISH OXYGEN FIN 10.75 15/ 7/1990	76 5/8	15.68	14.08
65 / 65.0	1977 / 100.00	BRITISH SHIPBUILDERS 9.00 1/11/1992	70	14.44 / 15.25	12.86
50 / 42.5	1974 / 99.00	BRITISH STEEL CORP 8.625 15/ 1/1989	79 5/8	12.88 / 14.70	10.83
30 / 27.0	1972 / 100.00	CADBURY SCHWEPPES O/S 7.75 15/10/1990	67 1/4	14.16 / 16.50	11.52
25 / 11.2	1973 / 98.50	CAPITAL & COUNTIES PROP 9.00 1/11/1988	80 1/4	13.22 / 15.79	11.21
50 / 47.0	1977 / 99.50	CAVENHAM INTL BV 9.50 15/12/1987	78 1/4	14.76 / 16.98	12.14
30 / 14.1	1971 / 100.00	COMMERCIAL UNION 8.50 15/12/1986	80	13.69	10.63
20 / 2.1	1970 / 100.00	COURTAULDS INT FIN 9.00 1/ 2/1982 S	93 1/8	18.06	9.90

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-UTD KINGDOM (CONTINUED)			
20 / 10.0	1970 / 98.00	COURTAULDS INT FIN 9.25 1/10/1985	86 7/8	13.20 / 14.82	10.65
25 / 13.0	1973 / 100.00	DUNDEE,CITY OF 9.25 15/10/1983	91 1/2	13.22 / 15.18	10.11
25	1973 / 100.00	EDINBURGH,CITY OF 9.00 1/11/1981	95	17.17	9.47
15 / 3.0	1967 / 98.50	EMI 6.75 15/11/1982	84	18.36 / 23.28	8.04
50 / 50.0	1977 / 100.00	EMI FINANCE BV 9.25 15/ 4/1989	75 1/4	14.63 / 15.61	12.29
20 / 16.0	1972 / 100.50	FISONS 8.25 1/ 7/1987	71 7/8	15.49 / 19.55	11.48
25 / 20.0	1977 / 100.00	FISONS INT FIN 8.75 1/ 8/1992	68 7/8	14.46 / 15.70	12.70
25 / 16.5	1971 / 100.00	C.U.S. INTERNATIONAL 8.50 1/ 3/1986	80	14.37 / 18.83	10.63
15 / 12.5	1974 / 100.00	C.U.S. INTERNATIONAL 9.50 5/ 4/1989	78 7/8	14.01 / 16.37	12.04
25 / 20.0	1975 / 100.00	GOLD FIELDS (BERMUDA) 10.25 15/ 9/1985	90	13.36 / 14.10	11.39
25 / 19.0	1972 / 98.50	GRAND METROPOLITAN HOTEL 7.50 15/12/1987	75 1/2	13.15 / 16.17	9.93
15 / 6.6	1970 / 100.00	GRAND METROPOLITAN HOTEL 9.25 1/12/1986	89	12.38 / 14.00	10.39
30 / 21.6	1972 / 99.75	GUARDIAN ROYAL EXCHANGE 8.00 1/ 7/1987	79 7/8	12.79 / 14.77	10.02
25 / 20.0	1972 / 100.50	HAMBROS 7.75 1/10/1987	73 3/8	14.20 / 17.39	10.56
24 / 12.0	1970 / 100.00	HAMBROS 9.50 15/12/1985	90 1/4	12.28 / 13.34	10.53
20	1970 / 98.50	HILL SAMUEL GROUP XW 7.00 31/ 3/1982	90	17.82	7.78
20 / 12.5	1971 / 100.00	HILL SAMUEL GROUP 9.00 15/11/1986	84 5/8	12.38 / 14.66	10.64
30 / 12.0	1967 / 99.50	ICI LTD 6.50 15/ 3/1982	90 7/8	16.65 / 26.98	7.15
50 / 37.0	1972 / 100.00	ICI INT FIN 7.50 1/ 2/1992	74 1/4	11.81 / 15.07	10.10
100 / 100.0	1977 / 100.00	ICI INT FIN 8.25 1/ 1/1987	78	13.99 / 15.45	10.58
100	1980* / 100.00	ICI FIN NETHERLANDS 11.00 1/ 6/1985	92 7/8	14.85	11.84
25 / 22.0	1972 / 100.00	KLEINWORT BENSON 8.25 15/ 5/1987	77	14.01 / 16.74	10.71
30 / 7.5	1973 / 100.00	LANCASHIRE C.C. 9.50 15/ 9/1981	97	15.25	9.79
30 / 22.4	1973 / 100.00	LEGAL & GENERAL ASSCE 7.625 1/ 2/1988	73	13.94 / 16.54	10.45
40	1980* / 100.00	LONRHO INTERNATIONAL FIN 12.00 15/ 7/1986	81 1/2	16.46	14.72
50 / 17.0	1971 / 99.50	MANCHESTER,CITY OF 8.25 15/ 9/1981	97 7/8	18.52	8.43
25 / 21.3	1971 / 100.25	MEPC ESTATES & PROP 8.00 1/ 2/1991	71 3/8	13.37 / 15.34	11.21
15 / 8.4	1971 / 100.00	MEPC ESTATES & PROP 8.75 1/12/1986	82 1/8	13.37 / 15.68	10.65
75 / 65.0	1976 / 99.00	MIDLAND INTL FIN SERVICE 8.75 1/12/1986	81 7/8	13.44 / 15.36	10.69
75 / 75.0	1977 / 100.50	MIDLAND INTL FIN SERVICE 8.75 1/ 9/1992	71 7/8	13.89 / 15.25	12.30
30 / 20.4	1972 / 100.50	NATIONAL & GRINDLAYS BNK 7.75 15/11/1987	76 3/8	13.25 / 15.37	10.15
100 / 90.0	1977 / 99.00	NATIONAL COAL BOARD 8.00 1/ 9/1987	76 3/8	13.68 / 14.64	10.47
50	1976 / 99.50	NATIONAL COAL BOARD 8.625 15/ 7/1981	95 5/8	18.01	8.93
50 / 41.5	1973 / 99.00	NATIONAL COAL BOARD 8.625 15/10/1988	78 1/2	13.24 / 15.35	10.99
50 / 43.0	1976 / 100.00	NATIONAL-WESTMINSTER BNK 9.00 1/ 7/1988	89 7/8	11.62 / 13.43	10.01
75	1978 / 100.00	NATIONAL WESTMINSTER BNK 9.00 15/ 6/1986	82 1/4	13.52	10.94
25 / 15.0	1971 / 98.00	PLESSEY 8.50 15/ 6/1986	86	12.21 / 14.88	9.88
20 / 18.0	1973 / 99.00	RHM INTERNATIONAL 8.00 1/ 5/1988	71 1/2	14.80 / 17.92	11.19
50 / 40.0	1977 / 100.00	RHM OVERSEAS FIN 9.00 15/ 8/1992	68	14.37 / 16.34	13.24
25 / 16.3	1971 / 100.00	RANK ORGANISATION 8.75 1/11/1986	83 1/2	13.01 / 15.35	10.48
25 / 25.0	1979 / 99.50	REDLAND FIN WW 9.50 15/ 3/1991	85	12.16 / 12.59	11.18
25 / 25.0	1979 / 99.50	REDLAND FIN XW 9.50 15/ 3/1991	72 1/2	14.95 / 15.81	13.10
40 / 40.0	1977 / 100.00	REED INTERNATIONAL 9.00 15/ 5/1987	78 1/8	14.56 / 15.72	11.52
45 / 24.0	1969 / 99.50	RIO TINTO-ZINC XW 6.75 1/ 5/1984	87 3/8	11.71 / 15.94	7.73
50 / 50.0	1977 / 99.50	SELECTION TRUST 8.75 1/ 8/1989	75 3/4	13.76 / 14.54	11.55
20 / 15.2	1973 / 99.50	SLOUGH ESTATES 8.00 1/ 2/1988	75 3/4	13.62 / 16.35	10.56
12 / 8.3	1971 / 98.50	SLOUGH ESTATES 8.75 15/ 2/1986	81 7/8	14.06 / 16.61	10.69
75	1976 / 99.00	SOUTH OF SCOTLAND ELECT 8.25 1/12/1981	94 1/4	16.74	8.75
15 / 10.5	1972 / 100.00	TOWN & CITY MIDDLAND 8.00 15/ 1/1988	74 3/4	13.52 / 17.46	10.70
18 / 7.0	1970 / 100.00	TRUST HOUSES GROUP WW 7.75 15/ 4/1985	150		5.17
18 / 7.0	1970 / 100.00	TRUST HOUSES GROUP XW 7.75 15/ 4/1985	85	12.61 / 18.89	9.12
30 / 30.0	1977 / 99.50	UNITED BISCUITS(UK) 9.00 15/ 5/1989	73	14.88 / 15.79	12.33
50 / 50.0	1980* / 100.00	US FINANCE BV 11.00 23/ 7/1990	78 3/8	15.47 / 15.77	14.04
25 / 20.5	1973 / 99.50	UNITED DOMINION TRUST 8.75 1/12/1988	75	14.26	11.67
20 / 14.0	1972 / 99.00	WELLCOME FOUNDATION 8.25 1/ 6/1987	79 7/8	13.14 / 16.69	10.33

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-UTD KINGDOM (CONTINUED)			
25 / 15.0	1972 / 100.50	WILLIAMS & GLYN BANK [illegible]	[illegible]	[illegible]	[illegible]
		US DOLLARS-UNITED STATES			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-UNITED STATES (CONTINUED)			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-UNITED STATES (CONTINUED)			
40	1977 / 100.00	OCCIDENTAL OVERSEAS 8.25 1/ 2/1987	80 1/2	13.76	10.37
75	1978 / 99.00	OCCIDENTAL INTL FIN 8.875 1/ 4/1985	79 1/4	15.90	11.20
25 / 7.2	1970 / 100.00	OCCIDENTAL O/S BER 9.25 15/ 3/1982	92 1/2	17.65 / 21.48	10.00
30	1974 / 100.00	OCCIDENTAL O/S BER 9.75 1/ 7/1983	89 1/2	15.33	10.89
30 / 21.0	1975 / 98.00	OCCIDENTAL O/S BER 10.00 1/ 7/1981	97	19.16	10.31
50	1979 / 99.25	OCCIDENTAL INTL FIN 10.25 1/ 6/1984	89	14.68	11.52
20 / 12.5	1971 / 100.00	OWENS-CORNING FIBERGLAS 9.00 1/ 8/1986	86 3/4	12.47 / 14.24	10.37
25 / 16.0	1973 / 98.50	PACIFIC LIGHTING O/S FIN 8.00 15/ 4/1988	77 7/8	11.92 / 15.01	10.27
20	1975 / 98.50	PACIFIC LIGHTING O/S FIN 8.50 15/ 6/1981	97 1/4	18.88	9.51
100	1980* / 100.00	PENNROSE CAPITAL CO INC 9.625 15/ 7/1987	80 1/2	14.47	11.96
100	1978 / 99.50	J.C. PENNEY O/S FIN 8.50 1/ 8/1983	88 1/8	14.58	9.65
100	1980* / 100.00	J.C. PENNEY INT CAP 12.375 1/ 5/1986	91 1/2	14.88	13.52
75	1980* / 100.00	J.C.PENNEY O/S CAP 14.75 1/ 5/1985	98	14.12	13.78
15 / 8.1	1972 / 97.50	PENNWALT O/S FIN 8.00 1/ 5/1987	81	12.59 / 15.00	9.88
25	1979 / 99.00	PENNWALT O/S FIN 9.25 1/ 6/1984	86 3/4	15.14	11.25
100	1979 / 100.00	PEPSICO CAP 9.25 1/ 3/1984	88 5/8	14.14	10.44
15 / 10.5	1971 / 98.50	PHILIP MORRIS INT CAP 8.50 1/ 6/1986	88	11.65 / 13.43	9.66
50	1979 / 99.00	PORTLAND GENERAL ELEC 10.00 1/ 3/1984	89 1/4	14.66	11.20
50	1980* / 100.00	PORTLAND GENERAL ELEC WT 14.75 1/ 5/1987	99 3/8	14.87	14.84
25 / 5.0	1967 / 99.00	PROCTOR & GAMBLE INT 6.50 15/ 9/1982	90 3/8	13.73 / 17.24	7.19
140 / 64.0	1977 / 100.00	R.J.REYNOLDS OVERSEAS 7.50 18/11/1982	91	13.64 / 16.16	8.24
25 / 17.0	1972 / 98.00	RALSTON PURINA O/S FIN 7.50 15/ 2/1987	81 1/2	12.02 / 14.06	9.20
14 / 14.0	1978 / 100.00	RELIANCE TRANSCONTINENT 6.25 15/ 2/1988	63 1/2	15.06 / 15.91	9.84
4 / 3.0	1978 / 100.00	RELIANCE TRANSCONTINENT 7.25 15/ 2/1985	76	15.85 / 18.26	9.54
100	1980* / 97.75	RIPSTEEL O/S FIN 11.50 1/ 7/1988	80 3/4	16.11	14.24
20 / 8.0	1970 / 99.75	RICHARDSON-MERRELL 8.75 15/12/1985	87 3/4	12.25 / 14.02	9.97
30 / 22.8	1976 / 100.50	SANTA FE INT FIN 9.50 15/ 7/1986	82 1/4	14.42 / 14.71	11.55
20 / 11.4	1971 / 98.50	SCOTT PAPER O/S 8.75 1/ 7/1986	86 1/2	12.31 / 14.21	10.12
150	1979 / 99.50	SEARS O/S FIN 9.00 15/ 2/1982	94 5/8	15.38	9.51
50	1977 / 100.00	SINGER INTL SECS 8.75 1/ 4/1982	89 1/4	20.62	9.80
35 / 26.9	1973 / 100.00	STANDARD OIL OF INDIANA 8.375 1/12/1988	81	12.29 / 13.22	10.34
30 / 25.0	1973 / 97.50	STANDARD OIL OF INDIANA 8.50 15/ 8/1988	81 5/8	12.39 / 13.43	10.41
25 / 21.7	1977 / 99.50	SUNDSTRAND FIN INT 8.25 1/ 6/1987	77 7/8	14.30 / 14.62	11.24
20	1976 / 99.00	SUNDSTRAND FIN INT 9.75 15/ 2/1983	95	12.77 / 13.68	10.26
15 / 10.8	1972 / 99.00	STERCO O/S CAP 8.00 1/ 3/1987	80	12.99 / 15.50	10.00
38 / 22.5	1968 / 100.00	TELEDYNE INT XW 6.50 1/10/1983	79	17.13 / 23.66	8.23
30 / 25.0	1972 / 98.00	TENNECO INT 7.75 1/11/1987	77	13.10 / 14.81	10.06
20	1977 / 98.50	TENNECO INTL 7.75 15/ 5/1987	73	14.63	10.62
30 / 26.4	1972 / 100.25	TEXTRON INT 7.75 1/10/1987	78	12.87 / 14.67	9.94
40 / 40.0	1980* / 99.00	TRAILER TRAIN FINANCE 13.25 1/11/1992	84	14.30 / 14.62	14.10
20 / 11.5	1971 / 100.00	TRANSAMERICA O/S FIN 8.50 1/12/1986	83	12.83 / 14.25	10.24
50	1980* / 99.75	TRANSAMERICA FIN CORP 12.375 15/10/1983	95 1/8	14.64	13.01
40 / 25.8	1971 / 100.00	TRANSOCEAN GULF OIL 7.50 1/ 1/1987	80 3/8	12.40 / 13.39	9.33
20 / 14.0	1969 / 98.00	TRANSOCEAN GULF OIL 8.00 1/12/1985	87 3/8	12.37 / 13.60	9.16
30 / 13.8	1971 / 97.50	TRANSOCEAN GULF OIL 8.00 1/ 5/1986	85	13.17 / 14.77	9.41
20 / 9.0	1970 / 100.00	TRANSOCEAN GULF OIL 9.00 15/10/1985	88 3/8	12.41 / 13.80	10.18
50	1981* / 100.00	TRIBUNE CO O/S FIN 14.00 1/ 3/1986	96 7/8	14.93	14.45
20 / 6.8	1968 / 99.00	TRW O/S CAP 7.25 1/11/1983	88	12.78 / 15.15	8.24
20 / 12.5	1971 / 99.00	TRW O/S FIN 8.75 15/10/1986	84	12.88 / 14.87	10.42
50 / 50.0	1980* / 98.75	UCC OVERSEAS FIN 13.50 15/10/1988	93 1/8	15.02 / 15.16	14.50
30 / 18.1	1972 / 100.00	UNION OIL FIN 7.50 1/ 2/1987	80 3/4	12.25 / 14.36	9.29
15 / 4.4	1970 / 99.00	UNITED MERCHANTS O/S 8.75 1/ 3/1982	82	32.63 / 44.69	10.98
20	1979 / 99.50	U.S.LEASING INTL FIN 10.00 1/ 6/1984 S	82 1/2	17.41	12.12
20 / 2.9	1967 / 99.50	U.S.RUBBER UNIROYAL 6.25 1/ 4/1982 S	93	13.76 / 19.96	6.83
20 / 17.5	1972 / 100.50	UTAH INT FIN 8.00 15/ 3/1987	81 3/4	12.47 / 14.79	9.79

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-UNITED STATES (CONTINUED)			
30	1977 / 100.00	WALTER KIDDE O'SEAS FIN 8.50 1/ 7/1985	78 3/4	15.34	10.79
100	1979 / 99.25	WARNER-LAMBERT 9.00 1/ 7/1984	86 5/8	14.25	10.39
		US DOLLARS-MULTINATIONAL			
30 / 23.0	1972 / 100.00	BAUXITES DE GUINEE 8.00 31/12/1990	69 1/2	13.84 / 15.97	11.51
20 / 4.5	1967 / 100.00	QUEENSLAND ALUMINA INT 6.50 1/ 6/1982	91	14.75 / 20.31	7.14
25 / 20.5	1972 / 98.00	QUEENSLAND ALUMINA FIN 8.25 1/ 4/1987	86	11.57 / 13.51	9.59
30 / 25.2	1971 / 98.25	QUEENSLAND ALUMINA FIN 8.50 1/ 3/1986	87	12.11 / 15.16	9.77
20 / 8.0	1970 / 100.00	QUEENSLAND ALUMINA FIN 9.00 1/ 4/1982	92	17.59 / 22.47	9.78
30 / 22.0	1972 / 98.50	SCANDINAVIAN AIRLINES 8.00 15/ 6/1983	80 3/4	14.25 / 15.71	9.91
70 / 48.4	1972 / 100.50	SHELL INT FIN 7.50 15/ 1/1987	79 3/4	12.56 / 13.44	9.40
100	1977 / 100.00	SHELL INT FIN F 7.75 15/ 3/1987	76 1/4	13.78	10.16
60 / 41.4	1971 / 100.00	SHELL INT FIN 8.00 1/12/1986	82 5/8	12.37 / 13.23	9.68
100	1977 / 99.00	SHELL INT FIN 8.25 1/ 2/1990	72 7/8	13.69	11.32
40 / 4.4	1962 / 100.50	SOUTH EUROPEAN PIPELINE 5.50 1/ 3/1982 S	91	16.05 / 27.36	6.14
28 / 8.3	1966 / 100.00	TRANSALPINE FIN HDGS 6.50 31/10/1985	89 1/2	9.36 / 11.12	7.26
30 / 2.8	1967 / 98.75	TRANSALPINE FIN HDGS 6.75 31/ 1/1982	95 1/4	12.47	7.09
25 / 6.8	1967 / 98.75	TRANSALPINE FIN HDGS 6.75 30/ 4/1983	94 1/2	9.65 / 12.00	7.14
20 / 5.9	1966 / 98.50	TRANSALPINE FIN HDGS 6.75 31/ 7/1985	94	8.41 / 9.60	7.18
30 / 23.0	1972 / 98.25	TRANS-AUSTRIA GASLINE 7.50 15/ 1/1988	78 1/8	12.40 / 14.40	9.60
		US DOLLARS-SUPRANATIONAL			
75	1976 / 99.75	ASIAN DEVELOPMENT BANK 8.625 1/ 8/1986 S	81	14.16	10.93
20 / 11.5	1975 / 98.75	COUNCIL OF EUROPE 9.25 15/ 6/1984	94	11.50 / 13.12	9.84
18 / 18.0	1977 / 100.00	EURATOM 8.75 30/12/1992	71	13.86 / 15.46	12.32
40 / 40.0	1981* / 100.00	EURATOM 12.875 1/ 2/1990	90 3/4	14.80 / 15.38	14.19
20 / 5.0	1967 / 98.00	EUROFIMA 6.50 1/ 4/1982	88 1/2	19.06 / 30.85	7.34
20	1977 / 100.00	EUROFIMA 7.50 15/ 4/1983	84 1/2	16.68	8.88
50 / 50.0	1977 / 99.50	EUROFIMA 7.50 15/ 1/1984	84 3/4	14.30 / 15.67	8.85
20 / 14.0	1973 / 99.50	EUROFIMA 7.50 15/ 2/1988	72 1/2	13.91 / 17.72	10.34
30 / 23.0	1976 / 99.25	EUROFIMA 8.50 15/ 2/1983	89 7/8	14.79 / 15.09	9.46
20 / 19.2	1978 / 99.50	EUROFIMA 8.50 1/ 7/1985	74	17.47 / 18.33	11.49
40 / 39.0	1978 / 100.00	EUROFIMA 8.50 15/ 1/1988	76 1/2	14.03 / 14.87	11.11
25 / 20.0	1974 / 98.50	EUROFIMA 8.50 15/ 1/1989	76 1/2	13.51 / 16.44	11.11
50	1975 / 100.00	EUROFIMA 9.00 15/ 3/1982 S	94 3/8	15.53	9.76
25 / 3.6	1962 / 99.00	EUROPEAN COAL & STEEL 5.25 15/ 4/1982 S	86	20.55 / 32.13	6.20
30 / 8.0	1964 / 99.00	EUROPEAN COAL & STEEL 5.25 15/11/1984	80 1/2	12.04 / 16.43	6.52
15 / 6.0	1966 / 99.50	EUROPEAN COAL & STEEL 6.50 15/ 6/1986	78 3/4	12.15 / 16.43	8.25
20 / 7.8	1966 / 98.50	EUROPEAN COAL & STEEL 6.50 1/12/1986	79 1/8	11.66 / 15.25	8.21
25 / 11.4	1967 / 98.50	EUROPEAN COAL & STEEL 6.50 1/ 3/1987	79 1/8	11.50 / 16.15	8.21
20 / 9.2	1967 / 98.50	EUROPEAN COAL & STEEL 6.625 1/10/1987	82 5/8	10.38 / 13.08	8.02
30 / 26.0	1973 / 99.50	EUROPEAN COAL & STEEL 7.00 15/ 1/1988	77	12.10 / 14.59	9.09
50	1977 / 99.00	EUROPEAN COAL & STEEL 7.25 15/ 2/1982	92 3/4	15.90	7.82
30	1977 / 99.00	EUROPEAN COAL & STEEL 7.625 15/ 5/1984	81	15.53	9.41
50 / 36.0	1974 / 100.00	EUROPEAN COAL & STEEL 7.75 1/ 2/1989	95 7/8	8.48 / 8.93	8.08
30	1976 / 99.50	EUROPEAN COAL & STEEL 7.875 15/10/1981	95 1/8	16.34	8.28
30	1976 / 99.50	EUROPEAN COAL & STEEL 8.00 1/12/1983	82	16.59	9.76
25 / 16.0	1977 / 200.00	EUROPEAN COAL & STEEL F 8.00 1/ 9/1986	80 1/2	13.16 / 17.65	9.94
75	1976 / 99.50	EUROPEAN COAL & STEEL 8.125 15/11/1984 S	85 5/8	14.39	9.95
20	1977 / 100.00	EUROPEAN COAL & STEEL P 8.25 15/ 2/1987	72	15.84	11.46
50 / 50.0	1972 / 100.50	EUROPEAN COAL & STEEL 8.25 1/10/1989	72 3/8	13.93 / 15.26	11.40
50	1975 / 99.50	EUROPEAN COAL & STEEL 8.375 15/ 2/1983 S	90 1/4	14.73	9.50
30	1978 / 99.00	EUROPEAN COAL & STEEL 8.375 15/ 2/1985	80	15.48	10.47
23 / 17.3	1976 / 99.25	EUROPEAN COAL & STEEL P 8.50 2/ 8/1986	84 1/4	12.65 / 15.58	10.09
20 / 20.0	1978 / 99.00	EUROPEAN COAL & STEEL 8.50 1/ 3/1990	71 1/2	14.33 / 16.86	11.89
75	1976 / 99.50	EUROPEAN COAL & STEEL 8.625 1/ 5/1984 S	86 3/8	14.57	10.23
50 / 40.0	1975 / 99.00	EUROPEAN COAL & STEEL 8.75 1/ 7/1982	94 3/8	13.49 / 13.69	9.27

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-SUPRANATIONAL (CONTINUED)			
30	1978 / 99.75	EUROPEAN COAL & STEEL 8.75 15/ 6/1987	78 3/8	14.13	11.16
100 / 90.5	1977 / 100.75	EUROPEAN COAL & STEEL 8.75 1/10/1987	65 1/2	14.25 / 15.20	13.36
75 / 75.0	1976 / 99.00	EUROPEAN COAL & STEEL 8.875 15/11/1996 S	68 3/4	14.26 / 16.13	13.33
50	1976 / 100.00	EUROPEAN COAL & STEEL F 9.00 15/ 1/1983	90 3/8	15.21	9.96
25 / 23.3	1978 / 100.00	EUROPEAN COAL & STEEL 9.00 1/ 4/1993	72 1/8	13.87 / 14.69	12.48
50 / 44.8	1977 / 100.00	EUROPEAN COAL & STEEL 9.00 15/ 6/1995	70 1/8	13.90 / 14.72	12.83
100 / 100.0	1976 / 99.00	EUROPEAN COAL & STEEL 9.00 1/ 5/1996 S	69 7/8	14.25 / 16.26	13.29
75 / 73.8	1977 / 100.00	EUROPEAN COAL & STEEL 9.125 1/ 4/1997 S	70	14.29 / 15.94	13.46
60 / 47.5	1976 / 100.00	EUROPEAN COAL & STEEL 9.25 15/ 1/1986	85 3/4	13.39 / 13.82	10.79
25 / 23.3	1978 / 99.50	EUROPEAN COAL & STEEL 9.25 1/ 4/1998	76 3/4	12.62 / 13.23	12.05
50 / 30.0	1978 / 99.00	EUROPEAN COAL & STEEL GR 9.75 15/ 1/1999	72 1/2	13.35 / 13.70	13.45
125 / 125.0	1979 / 98.51	EUROPEAN COAL & STEEL 9.75 1/ 8/1999 S	72 5/8	14.38 / 14.92	13.88
130 / 130.0	1979 / 99.75	EUROPEAN COAL & STEEL GR 10.75 1/ 7/1991	73 1/4	14.44 / 15.31	14.68
40	1980	EUROPEAN COAL & STEEL [illegible]	87 5/8	14.44	13.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-SUPRANATIONAL (CONTINUED)			
40 / 34.0	1974 / 97.50	EUROPEAN INVESTMENT BANK 8.75 15/ 4/1986	81 1/4	14.11 / 14.98	10.77
50	1976 / 99.25	EUROPEAN INVESTMENT BANK 8.75 1/ 9/1988	78 1/8	13.54	11.20
50	1977 / 100.00	EUROPEAN INVESTMENT BANK 8.75 1/ 4/1992	74 7/8	13.17	11.69
100	1978 / 99.50	EUROPEAN INVESTMENT BANK 8.75 1/ 2/1993	70 5/8	13.93	12.39
100	1978 / 99.50	EUROPEAN INVESTMENT BANK 8.875 1/10/1985 S	79 5/8	14.79	11.46
75 / 75.0	1976 / 99.50	EUROPEAN INVESTMENT BANK 8.875 15/12/1996 S	68 3/8	14.33 / 16.18	13.40
75	1975 / 100.00	EUROPEAN INVESTMENT BANK 9.00 1/11/1982 S	91 3/8	15.34	10.09
50	1975 / 100.00	EUROPEAN INVESTMENT BANK 9.00 15/ 1/1982	89 7/8	15.82	10.01
20	1975 / 99.75	EUROPEAN INVESTMENT BANK 9.00 15/ 1/1982	89	24.14	10.11
100	1978 / 99.25	EUROPEAN INVESTMENT BANK 9.00 15/ 3/1990	72	14.58	12.50
75 / 75.0	1977 / 100.00	EUROPEAN INVESTMENT BANK 9.00 15/ 5/1997 S	68 5/8	14.40 / 16.10	13.54
100 / 100.0	1978 / 99.50	EUROPEAN INVESTMENT BANK 9.125 1/ 7/1993	70 7/8	14.26 / 15.84	12.87
125 / 125.0	1978 / 99.00	EUROPEAN INVESTMENT BANK 9.125 15/ 5/1994 S	67 3/4	14.63 / 15.40	13.92
100	1978	EUROPEAN INVESTMENT BANK [illegible]	69	14.59	13.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-FLOATING RATE			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/Yld. to aver. life	Current yield
		US DOLLARS-FLOATING RATE (CONTINUED)			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Current coupon	Current yield
		US DOLLARS-FLOATING RATE (CONTINUED)			
75	1979 / 100.00	IC INDUSTRIES FIN 3/8 17.938 15/ 7/1991 S	96 5/8		18.61
50	1977 / 100.00	INDUST BNK-JAPAN 6.0:1/4 17.50 15/ 2/1982 S	100 1/8		17.48
50	1977 / 100.00	INDUST BNK-JAPAN 6.5:1/4 15.125 1/11/1983 S	99 3/4		15.16
50	1978 / 100.00	INDUST BNK-JAPAN 5.5:1/4 17.75 1/12/1983 S	99 7/8		17.77
50	1979 / 100.00	INDUST BNK-JAPAN 5.25:1/4 13.313 15/10/1987 S	98 3/4		13.48
50	1980* / 100.00	INDUST BK JAPAN 5.25:1/4 13.125 9/10/1988 S	98 5/8		13.31
50	1978 / 100.00	I.C BK CHINA 7.25:1/2 17.438 24/ 5/1985 S	100		17.44
20	1977 / 100.00	INT WESTMINSTER BK 6:1/4 14.00 20/ 4/1984 S	99 3/4		14.04
50	1976 / 100.00	ISHIKAWAJIMA-H 5.75:1/4 13.938 27/ 4/1985 S	99 1/4		14.04
50	1980* / 100.00	C ITOH 5.25:1/4 12.875 18/ 3/1987 S	99 3/8		12.96
20	1977 / 99.00	JUGOBANKA 7.5:1.0 17.875 1/ 8/1983 S	98		18.24
50	1979 / 100.00	JUGOBANKA 8:7/8 16.75 23/ 5/1989 S	92		18.21
30	1977 / 100.00	KANSALLIS-OSAKE 6.5:1/4 17.313 20/ 7/1983 S	100		17.31
50	1980*	KLEINWORT BENSON 5.75:1/4 [illegible]	96 7/8		17.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S (mn)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Current coupon	Current yield
		US DOLLARS-FLOATING RATE (CONTINUED)			
30	1976 / 100.00	ROYAL BANK-SCOT 7.75:1/4 16.75 6/ 5/1983 S	100 1/2		16.67
75	1979 / 100.00	ROYAL SCOT L * 5.25:1/4 18.063 11/ 7/1994 Q	99 3/4		18.28
50 / 44.0	1978 / 100.00	S.F.T.E. 8:3/4 13.875 5/ 4/1990 S	99 7/8		13.89
50 / 32.0	1974 / 100.00	S.F.T.E. 8:3/4 17.75 7/ 6/1984 S	100 3/4		17.62
50 / 50.0	1980* / 100.00	S.F.T.E. 6.5:1/4 12.438 15/ 3/1986 S	97		12.82
50 / 30.0	1980* / 100.00	S.F.T.E. 6.5:1/4 16.625 2/ 7/1990 S	95 3/4		17.36
50	1979 / 100.00	SOC CENT DE BQUE 6.5:1/4 14.00 3/10/1987 S	97 1/8		14.41
50	1977 / 100.00	SOCIETE GENERALE * 3/8 14.438 1/10/1984 S	99 7/8		14.46
50	1979 / 100.00	SOCIETE GEN * 5.25:1/4 19.25 12/ 7/1991 Q	99		19.44
20	1979 / 100.00	SOGENAL L * 5.75:1/4 17.75 13/ 7/1989 S	98 3/8		18.06
50 / 50.0	1979 / 100.00	SONATRACH 7.5:1 18.50 15/ 2/1991 S	96 7/8		19.10
50	1978 / 100.00	SONATRACH 7.25:3/4 18.50 7/12/1992 S	97 1/2		18.97
25	1980* / 100.00	SPAREBANKEN 6:1/4 19.875 19/12/1987 S	99		20.08
[illegible]	1977	STANDARD CHART 6.25:1/4 [illegible]	100 1/8		17.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Issued/ Est. O/S ($m)	Year of issue/ Issue price	Borrower/ Coupon maturity	Price	Yield to maturity/ to aver. life	Current yield
		AUSTRIAN SCHILLINGS (CONTINUED)			
300 / 300.0	1976 / 97.25	INTER-AMERICAN DEV BK D 8.00 17/12/1986	93 3/4	9.43 / 10.33	8.53
400	1979 / 99.50	INTER-AMERICAN DEV BANK 8.00 21/12/1989	87 5/8	10.18	9.13
1	1980 / 99.50	WORLD BANK 8.00 1/ 2/1990	88 5/8	9.98	9.03
		BAHRAINI DINARS			
12 / 12.0	1977 / 100.00	NAT ALGERIE NAVIGATION 8.75 1/ 5/1987	93	10.27 / 11.03	9.41
15 / 15.0	1977 / 100.00	PETROLEOS MEXICANOS L 8.75 15/11/1987	93	10.22 / 10.69	9.41
		CANADIAN DOLLARS			
25	1977 / 99.50	AMERICAN HOSPITAL SUPPLY 8.75 15/10/1984	83 1/4	14.17	10.26
20	1977 / 100.00	AVCO FIN SERV-CANADA 9.50 1/ 8/1982	88 1/2	19.29	10.73
25	1979 / 99.25	AVCO FIN SERVICES-CANADA 10.25 15/ 5/1986	80 1/2	16.00	12.73
50	1980* / 100.00	BANKMONT REALTY CO 12.75 15/ 9/1988	93 1/2	14.16	13.64
10	1979 / 100.00	BANK OF BRITISH COLUMBIA 10.25 15/ 5/1989	81	14.30	12.65
30	1976 / 100.00	BANK OF MONTREAL 9.00 15/ 9/1982	91 3/4	15.25	9.81
30	1977 / 99.75	BANQUE CANADIENNE NAT 8.25 15/ 2/1982	93 1/4	16.33	8.85
15	1976 / 100.00	BANQUE CANADIENNE NAT 9.25 15/ 4/1982	93 7/8	15.47	9.85
20	1976 / 99.50	B.C CENTRAL CREDIT UNION 9.75 22/12/1981	95 1/4	16.25	10.24
25	1977 / 100.00	BC-KT 8.75 1/ 6/1982	91 3/4	16.39	9.54
60	1979 / 100.00	BELL CANADA 10.75 1/10/1986	91 7/8	12.83	11.70
50	1977 / 99.00	BENEFICIAL FIN INT 9.00 15/ 2/1984	85 1/8	15.63	10.57
25	1975 / 100.00	BENEFICIAL FIN INT L 9.75 15/12/1982	90 1/2	16.17	10.77
20	1975 / 100.00	BENEFICIAL FIN INT 10.25 15/10/1981	96 3/8	16.41	10.64
25	1977 / 100.00	BRITISH COLUMBIA M.F.A L 9.00 1/ 6/1997	83	11.32	10.84
15 / 7.5	1974 / 99.00	BRITISH COLUMBIA M.F.A 9.25 15/ 5/1981	97	24.16	9.54
25	1975 / 99.00	BRITISH COLUMBIA M.F.A 9.25 30/ 6/1982	93 1/2	14.81	9.89
24	1979 / 100.00	BRITISH COLUMBIA M.F.A L 10.25 15/ 5/1999	83	12.66	12.35
20	1976 / 99.00	CALGARY POWER 9.75 15/ 5/1982	94 1/4	15.16	10.34
25	1976 / 100.00	CANADA PERM MORT CORP 9.75 1/11/1981	94 3/4	18.38	10.29
25	1976 / 100.00	CANADA TRUSTCO MORTGAGE 9.25 1/12/1981	94 3/4	16.98	9.76
35	1977 / 100.00	CANADIAN ACCEPTANCE P 9.375 15/10/1982	90	16.74	10.42
60	1980* / 100.00	CANADIAN IMP BK COMMERCE 11.50 15/ 7/1985	92 3/4	13.75	12.40
50	1980* / 99.50	CANADIAN IMP BK COMMERCE 13.50 15/ 5/1985	98 1/4	14.03	13.74
60	1977 / 99.25	CANADIAN NAT RAIL CO 8.875 1/ 3/1987	82 3/4	13.21	10.73
35	1976 / 100.00	CANADIAN PACIFIC SECS 9.25 15/ 4/1983	90 1/2	14.71	10.22
35	1975 / 100.50	CANADIAN PACIFIC SECS 9.75 15/12/1981	94 3/4	17.14	10.29
25	1977 / 100.00	CHRYSLER CREDIT - CANADA 9.25 15/ 6/1982	60	61.75	15.42
30	1976 / 99.00	CHRYSLER CREDIT - CANADA 9.50 15/10/1982	63	46.01	15.08
20	1976 / 100.00	COMM CREDIT CORP - CANADA 9.75 15/ 5/1981	97 3/4	20.59	9.97
30	1977 / 100.00	CREDIT FONCIER F-CAN 8.75 15/ 2/1982	93 1/2	16.54	9.36
25	1976 / 100.00	CREDIT FONCIER F-CAN 9.75 15/ 7/1981	96 5/8	19.10	10.09
30	1979 / 100.00	CREDIT FONCIER F-CAN 10.375 15/ 9/1984	90 3/8	13.93	11.48
15	1977 / 100.00	DRESSER IND (CANADA) P 8.50 15/ 3/1982	92 1/4	17.14	9.21
50	1976 / 100.50	EUROPEAN COAL & STEEL 9.00 15/ 3/1983	90 1/4	14.84	9.97
25	1977 / 100.50	EUROPEAN COAL & STEEL 9.00 15/ 4/1984	86 1/2	14.65	10.40
50	1979 / 100.00	EXPORT DEVELOPMENT CORP 10.00 15/ 5/1984	89 1/4	14.36	11.20
60	1980* / 100.00	FEDERAL BUSINESS DEV BK 11.50 15/ 7/1990	86 1/4	14.21	13.33
50	1979 / 100.50	FIRST CANADIAN INVEST 10.00 15/ 5/1984	88 3/4	14.58	11.27
20	1977 / 100.00	FORD MOTOR CREDIT-CANADA 8.50 15/ 5/1984	81 3/8	16.35	10.45
20	1977 / 99.50	FORD MOTOR CREDIT-CANADA 8.75 15/ 5/1987	73	15.86	11.99
30	1976 / 99.50	FORD MOTOR CREDIT-CANADA 9.25 1/ 2/1983	88 3/8	16.77	10.47
40	1976 / 100.00	FORD MOTOR CREDIT-CANADA 9.50 15/ 7/1982	90 7/8	17.31	10.45
5	1976 / 100.00	GENELCAN D 9.00 15/11/1981	92	21.95	9.78
10	1975 / 100.00	GENELCAN D 9.50 1/12/1982	90	16.40	10.56
25	1977 / 100.00	GENERAL FOODS LTD 8.50 1/ 5/1984	86 3/8	13.86	9.81
30	1976 / 100.50	GEN MOTORS ACCEPTANCE 9.00 15/10/1981	95 1/8	17.48	9.46
50	1976 / 100.00	GEN MOTORS ACCEPTANCE 9.00 1/ 2/1982	94 3/8	15.94	9.54
		CANADIAN DOLLARS (CONTINUED)			
30	1976 / 100.00	UNION CARBIDE OF CANADA 9.25 1/ 5/1982	93 3/4	15.35	9.87
30 / 25.5	1976 / 99.00	UNION CARBIDE OF CANADA 9.75 1/ 5/1986	89 1/2	12.61 / 13.08	10.89
		EUROGUILDERS			
60	1977 / 99.50	AKZO 7.50 1/10/1984	87 1/2	11.94	8.57
50	1976 / 99.50	AKZO 10.00 1/10/1981	99	11.59	10.10
75	1978 / 99.50	ALGEMENE BANK 6.25 15/ 5/1983	92	10.45	6.79
75	1979 / 100.00	ALGEMENE BANK NEDERLAND 8.25 15/ 9/1984	94 3/8	10.18	8.74
100	1981* / 99.50	ALGEMENE BANK 10.25 1/ 3/1986	95 7/8	11.37	10.69
75	1976 / 99.75	ALUSUISSE INT 8.25 15/ 3/1983	95 1/8	11.02	8.67
75 / 75.0	1979 / 100.00	AMEV 8.50 1/10/1986	90 3/8	10.86 / 11.27	9.41
75	1975 / 99.50	AMRO BANK 8.25 15/ 9/1981	98 3/8	11.25	8.39
75	1976 / 99.50	AMRO BANK 9.25 1/11/1981	98 5/8	11.30	9.38
70	1978 / 100.00	AMRO BANK 7.00 1/ 3/1983	95 1/8	10.89	7.32
60	1980* / 100.00	AMRO BANK 10.25 1/ 6/1985	97 1/8	11.10	10.55
60	1980* / 99.00	AMRO BANK 10.25 1/ 1/1986	97	11.06	10.57
75	1976 / 99.75	ASIAN DEVELOPMENT BANK 8.25 1/ 3/1983	93 1/2	12.08	8.82
100	1976 / 100.00	AUSTRALIA, COMMONWEALTH 8.00 1/ 6/1983	93 1/2	11.38	8.56
75	1977 / 99.75	AUSTRIA, REPUBLIC OF 7.25 13/11/1984	88 5/8	11.13	8.18
70	1975 / 100.00	AUSTRIA, REPUBLIC OF 8.25 15/ 7/1982	96 1/2	11.03	8.55
75	1975 / 100.00	AUSTRIA, REPUBLIC OF 9.25 1/ 3/1982	98 1/4	11.17	9.41
50	1975 / 99.25	AUSTRIAN ELECTRICITY 8.75 15/ 5/1982	97	11.45	9.02
75	1978 / 100.00	BANK MEES & HOPE 7.00 1/ 4/1983	93 1/2	10.60	7.49
75	1977 / 100.00	BANK MEES & HOPE 7.75 15/ 5/1982	97	10.44	7.99
60	1975 / 99.75	BANK MEES & HOPE 8.25 15/12/1981	97 7/8	11.08	8.43
75	1980* / 100.00	BANK MEES & HOPE 10.00 1/ 8/1985	97 1/2	10.70	10.26
75	1978 / 99.50	BRAZIL, REPUBLIC OF 7.50 1/ 7/1983	83 7/8	16.24	8.94
75	1978 / 99.00	C.F.E. - MEXICO 7.75 1/ 8/1983	91 3/8	12.00	8.48
60	1975 / 99.50	DUTCH STATE MINES 9.25 1/ 4/1982	99	10.22	9.34
40 / 30.0	1976 / 99.50	EERSTE NEDER CEMENT 8.50 15/ 4/1983	95 1/4	11.09 / 13.22	8.92
50	1975 / 99.75	EUROFIMA 7.50 1/ 5/1982	97 1/8	11.18	8.75
60	1976 / 99.75	EUROPEAN COAL & STEEL 8.00 15/ 2/1983	92 3/8	12.61	8.66
50 / 20.0	1972 / 100.00	EUROPEAN INVESTMENT BANK 6.00 15/ 9/1982	94 1/4	10.16 / 12.13	6.37
75	1978 / 99.50	EUROPEAN INVESTMENT BANK 7.25 1/10/1985	85 3/4	11.37	8.45
75	1976 / 99.75	EUROPEAN INVESTMENT BANK 8.00 15/ 4/1983	93	11.88	8.60
75	1977 / 100.00	EUROPEAN INVESTMENT BANK 8.00 15/ 2/1984	92 7/8	10.93	8.61
75	1978 / 99.00	EUROPEAN INVESTMENT BANK 8.25 1/ 1/1986	89 3/8	11.19	9.23
75	1975 / 100.00	EUROPEAN INVESTMENT BANK 9.00 1/ 3/1982	97 7/8	11.34	9.20
25 / 25.0	1979 / 99.50	FRIESCH-GRONINGSCHE HYPO 8.75 1/11/1986	90 3/8	11.10 / 11.79	9.68
60	1980* / 99.25	FRIESCH-GRONINGSCHE HYPO 9.75 1/ 9/1987	92 1/2	11.41	10.54
100	1980* / 99.50	HEINEKEN NV 10.00 15/ 7/1987	94 1/8	11.31	10.62
15 / 15.0	1979 / 100.00	LEASE PLAN NEDERLAND 9.00 1/10/1986	90 1/2	11.36 / 11.76	9.94
75	1977 / 99.50	MEXICO, UTD STATES OF 8.25 15/ 7/1982	95 3/8	11.98	8.65
75	1980* / 100.00	NATIONALE INVESTERS BANK 10.00 15/ 8/1987	94 1/8	11.30	10.62
60	1980* / 99.25	NATIONALE NEDERLANDEN 9.50 15/ 8/1987	92	11.28	10.33
60	1980 / 100.00	NATIONALE NEDERLANDEN 10.00 1/ 3/1987	97	10.70	10.31
60 / 60.0	1980* / 99.75	NATIONALE NEDERLANDEN 10.00 15/11/1987	94	11.30 / 11.59	10.64
60	1981* / 99.25	NATIONALE NEDERLANDEN 10.00 1/ 2/1988	93 3/8	11.43	10.71
25	1980 / 99.50	NEDERLANDSE CREDIETBANK 10.00 15/ 3/1985	98 1/2	10.47	10.15
75	1978 / 99.50	NEDER MIDDENSTANDSBANK 6.50 1/ 6/1983	93 1/4	9.93	6.97
75	1979 / 100.00	NEDER MIDDENSTANDSBANK 8.25 1/ 4/1984	94 1/2	10.41	8.73
75	1980* / 100.00	NEDER MIDDENSTANDSBANK 10.00 15/ 9/1985	97 7/8	10.58	10.22
50	1979 / 99.50	NEDERLANDSE GASUNIE P 8.75 1/ 7/1984	96 1/4	10.09	9.09
60 / 60.0	1980* / 100.00	NEDERLANDSE GASUNIE 10.25 15/11/1987	98 1/4	10.60 / 10.70	10.43
25 / 25.0	1980* / 99.50	NEDERLANDSE GASUNIE-OCT 10.25 15/10/1987	97 3/8	10.80 / 10.93	10.53
75	1978 / 100.00	NEW ZEALAND, GOVT OF 6.75 1/ 7/1984	88 1/8	11.17	7.66
		EUROGUILDERS (CONTINUED)			
75	1977 / 99.75	NEW ZEALAND, GOVT OF 8.00 1/ 3/1983	93 1/2	11.81	8.56
75	1975 / 100.00	NEW ZEALAND, GOVT OF 8.25 13/11/1981	97 7/8	11.37	8.43
75	1975 / 99.00	NEW ZEALAND, GOVT OF 9.00 1/ 3/1982	97 7/8	11.36	9.20
75	1976 / 99.25	NORGES KOMMUNALBANK 7.75 1/ 4/1981	99 3/8	14.36	7.80
100	1978 / 99.25	NORWAY, KINGDOM OF 6.50 1/ 4/1983	90 1/4	12.02	7.20
100	1977 / 99.50	NORWAY, KINGDOM OF 6.75 1/10/1982	93 1/2	11.37	7.22
100	1977 / 99.00	NORWAY, KINGDOM OF 7.75 1/ 4/1982	96 3/4	11.03	8.01
100	1979 / 99.50	NORWAY, KINGDOM OF 8.25 15/ 3/1984	91 5/8	11.66	9.00
100	1979 / 99.50	NORWAY, KINGDOM OF 8.25 1/10/1986	91 5/8	11.27	9.00
75	1976 / 99.50	NORWAY, KINGDOM OF 8.50 15/ 7/1981	99 1/8	10.66	8.58
75	1975 / 99.50	OSLO, CITY OF 8.25 1/ 7/1982	96 1/4	11.38	8.57
75	1976 / 100.00	OSLO, CITY OF 8.25 1/ 1/1984	92 3/8	11.52	8.93
75	1978 / 99.50	OSTERREICHISCHE KONTROLLBANK 6.50 15/ 5/1985	84 1/4	11.39	7.72
75	1977 / 99.50	OSTERREICHISCHE KONTROLLBANK 7.25 1/ 8/1982	94 7/8	11.26	7.64
75	1976 / 100.00	PHILIPS LAMPS 7.75 15/ 5/1981	99	12.32	7.83
75	1975 / 100.00	PHILIPS LAMPS 8.25 1/10/1981	98 1/4	11.26	8.40
75	1979 / 100.00	PHILIPS LAMPS P 8.25 15/10/1984	94 1/4	10.19	8.75
60	1977 / 99.75	PIERSON HELDRING PIERSON 7.25 1/ 6/1982	96	10.74	7.55
40	1976 / 99.25	PIERSON HELDRING PIERSON 10.00 1/10/1981	99 3/8	10.91	10.06
50	1981* / 99.50	PIERSON HELDRING PIERSON 10.25 1/ 3/1986	97 1/4	10.99	10.54
25	1979 / 99.50	RABOBANK 9.00 15/11/1984	96 3/8	10.19	9.34
75	1980* / 100.00	RABOBANK 10.50 1/ 7/1985	97 3/4	11.14	10.74
75	1976 / 100.00	S.N.C.F. 7.75 15/ 6/1981	99 1/4	10.13	7.81
60	1975 / 100.00	S.N.C.F. 9.00 15/ 4/1981	99 5/8	11.53	9.03
50	1977 / 100.00	SCHEEPVAART UNIE 8.25 1/ 4/1982	98	10.24	8.42
60	1975 / 100.00	SCHEEPVAART UNIE 8.75 1/ 6/1981	99 1/4	11.45	8.82
30	1976 / 99.75	SWEDISH EXPORT CREDIT 8.25 1/ 4/1983	95 3/8	10.81	8.65
50	1975 / 100.00	SWEDISH INVESTMENT BANK 9.25 1/ 4/1982	98	11.25	9.44
60	1975 / 99.50	THYSSEN INVESTMENT 8.50 15/ 5/1982	96 7/8	11.02	8.77
50	1980* / 99.75	F VAN LANSCHOT 10.50 1/ 6/1985	98 1/8	11.04	10.70
60	1980* / 100.00	WESTLAND-UTRECHT HYPO 10.25 1/ 8/1987	94 1/8	11.56	10.89
100	1976 / 100.00	WORLD BANK 8.00 1/ 2/1983	93 7/8	11.71	8.52
		EURO COMPOSITE UNITS			
60	1974 / 100.00	EUROPEAN INVESTMENT BANK 8.00 18/ 1/1989	98 3/4	8.22	8.10
30	1973 / 99.50	EUROPEAN INVESTMENT BANK 8.375 27/ 9/1988	99 3/4	8.41	8.40
20	1973 / 98.00	NET ESTATES & PROP 8.75 15/11/1988	84 3/8	11.94	10.37
		EURO CURRENCY UNITS			
30 / 13.5	1972 / 99.50	BRAZIL, REPUBLIC OF 8.00 1/ 3/1984	97 3/4	8.88 / 9.56	8.18
60 / 32.5	1971 / 99.50	EEC 7.25 1/ 5/1986	94	8.73 / 9.96	7.71
10 / 6.5	1971 / 99.50	[illegible] 7.50 12/ 3/1986	96 5/8	8.34 / 8.97	7.76
25 / 16.0	1971 / 100.00	SOUTH AFRICA, REPUBLIC OF 8.00 1/ 4/1986	96 1/8	8.97 / 9.63	8.32
		EURO UNITS OF ACCOUNT			
12 / 7.5	1975 / 100.00	A.P.E.L. 9.50 21/ 2/1985	99 1/8	9.55 / 10.05	9.61
16 / 16.0	1978 / 99.25	AUTOROUTES COTE BASQUE 7.00 10/ 7/1993	74 5/8	10.83 / 11.80	9.40
30 / 23.4	1973 / 98.50	BASS CHARRINGTON 7.00 1/ 3/1991	76 1/2	11.02 / 12.17	9.17
15 / 10.0	1974 / 98.00	BRISA-AUTO-ESTRADAS 8.75 6/ 2/1989	91 7/8	10.34 / 11.07	9.55
17 / 14.6	1974 / 99.50	[illegible] 9.00 12/ 3/1989	96 7/8	9.62 / 9.86	9.31
30	1978 / 100.25	COPENHAGEN, CITY OF 7.00 2/ 3/1993	74 3/8	10.92	9.43
25	1979 / 99.75	COPENHAGEN, CITY OF 8.25 15/ 3/1991	83 5/8	11.02	9.89
20	1976 / 99.00	COPENHAGEN, CITY OF 8.75 15/ 6/1986	94 3/8	10.21	9.29
25	1975 / 99.50	COPENHAGEN, CITY OF 9.25 25/ 9/1985	97 5/8	9.96	9.50
15 / 5.8	1969 / 98.50	COPENHAGEN COUNTY AUTH 7.00 9/ 3/1984	145 1/4	9.23 / 10.76	7.45
12 / 5.6	1971 / 100.00	COPENHAGEN COUNTY AUTH 8.00 10/ 2/1986	147 3/4	9.13 / 9.72	8.37
20	1979 / 100.00	COPENHAGEN COUNTY AUTH 8.75 10/ 9/1991	90 1/8	10.35	9.73
20	1975 / 99.50	COPENHAGEN COUNTY AUTH 9.25 23/10/1985	97 5/8	9.85	9.50
		EURO UNITS OF ACCOUNT (CONTINUED)			
20	1975 / 99.50	COPENHAGEN TELEPHONE 9.50 28/ 5/1985	98 5/8	9.96	9.66
20	1980* / 99.00	ELSAM 10.00 5/11/1987	98 3/8	10.38	10.19
25	1976 / 100.00	[illegible] 9.25 10/ 2/1984	97 5/8	10.31	9.50
20 / 5.0	1971 / 99.75	ESCOM 8.25 11/ 6/1986	147 3/4	9.32 / 10.05	8.63
20 / 7.0	1966 / 99.38	EUROPEAN COAL & STEEL 5.75 1/ 2/1986	140 1/4	8.09 / 9.34	6.33
10	1976 / 99.00	[illegible] TELEPHONE CO 9.00 15/ 9/1984	97 5/8	9.87	9.24
15 / 9.5	1975 / 99.75	G.K.N. 9.75 10/ 4/1983	97 7/8	11.03 / 11.61	9.99
11 / 11.0	1979 / 100.00	GOTHENBURG, CITY OF 9.125 15/11/1989	92 5/8	10.48 / 10.76	9.88
10 / 3.5	1964 / 98.00	[illegible] 5.625 15/ 4/1984	138 1/4	9.40 / 12.43	6.24
18	1975 / 100.00	HELSINKI, CITY OF 10.00 31/ 1/1983	99 3/8	10.53	10.09
12 / 9.9	1973 / 100.00	ICELAND, REPUBLIC OF 8.50 24/10/1988	90 1/8	10.46 / 10.94	9.45
15 / 10.3	1976 / 100.00	ICELAND, REPUBLIC OF 9.25 20/ 2/1983	97 5/8	10.78 / 11.09	9.50
12	1976 / 100.00	ICELAND, REPUBLIC OF 9.25 16/ 7/1986	97 7/8	9.81	9.47
12	1974 / 99.50	IRELAND, REPUBLIC OF 10.00 20/12/1994	L 101 3/8	9.84	9.89
25	1977 / 100.25	IMATRAN VOIMA 8.50 20/ 6/1987	90 7/8	10.58	9.38
20	1975 / 99.75	IMATRAN VOIMA 9.75 25/ 3/1985	99 7/8	9.85	9.79
15 / 15.0	1978 / 100.00	INDUSTRIAL BANK-FINLAND 7.00 5/ 4/1993	76 1/8	10.62 / 12.00	9.22
15 / 12.0	1975 / 99.00	IND MTGE BANK OF FINLAND 9.50 7/11/1983	98 1/8	10.39 / 10.79	9.70
25 / 15.6	1975 / 99.50	IRELAND, REPUBLIC OF 9.25 7/ 7/1982	97 1/2	11.43 / 11.86	9.51
20 / 14.0	1974 / 99.50	IRELAND, REPUBLIC OF 9.75 12/ 6/1984	99 1/8	10.13 / 10.22	9.86
15 / 14.1	1978 / 99.50	KOMMUNLANEINSTITUTET 7.50 12/10/1993	78 5/8	10.67 / 12.00	9.56
12 / 9.6	1978 / 100.00	KOMMUNLANEINSTITUTET 7.75 25/ 1/1993	85 7/8	9.84 / 10.86	9.05
9 / 8.5	1980* / 100.00	KOMMUNLANEINSTITUTET 9.50 25/ 9/1990	97 3/8	9.96 / 10.24	9.78
15 / 8.3	1969 / 97.00	MANITOBA, PROVINCE OF L 7.00 17/ 6/1989	146 1/4	7.89 / 8.45	7.40
30 / 28.7	1975 / 100.00	MANITOBA, PROVINCE OF 9.25 8/12/1985	98 1/8	9.80 / 9.96	9.45
25 / 25.0	1979 / 100.00	MORTGAGE BANK OF DENMARK 9.00 22/11/1991	89 5/8	10.69 / 11.05	10.07
12 / 3.0	1963 / 99.00	NORGES KOMMUNALBANK 5.50 15/ 1/1983	148	10.02 / 11.60	5.94
15 / 8.5	1971 / 98.75	NORGES KOMMUNALBANK 7.75 15/ 3/1986	146 3/4	9.03 / 10.09	8.16
12 / 9.4	1974 / 98.50	OSLO, CITY OF 8.875 1/ 4/1982	92 7/8	9.99 / 10.55	9.58
15 / 3.8	1974 / 100.00	OSLO, CITY OF 10.00 5/12/1981	99 3/4	10.57	10.06
25 / 18.8	1975 / 99.50	OSLO, CITY OF 9.25 15/10/1985	97 5/8	9.95 / 10.33	9.50
20 / 20.8	1978 / 99.50	PANAMA, REPUBLIC OF 8.25 2/10/1993	78 5/8	11.61 / 12.21	10.35
20 / 16.1	1974 / 98.00	PECHINEY UGINE KUHLMANN 8.75 22/ 2/1989	90 7/8	10.54 / 11.13	9.65
40 / 39.0	1979 / 100.00	QUEBEC, PROVINCE OF 9.25 17/12/1994	89 7/8	10.71 / 10.98	10.32
22 / 22.0	1978 / 99.50	S.D.R. - FRANCE 7.00 5/ 7/1993	76 1/8	10.56 / 11.87	9.22
24 / 24.0	1979 / 99.50	SDR FRANCE 8.50 27/ 6/1994	87 1/8	10.34 / 10.67	9.78
22 / 20.0	1975 / 100.00	S.D.R. - FRANCE 9.25 15/12/1985	98 7/8	9.60 / 9.77	9.38
25 / 19.0	1971 / 99.50	S.D.R. - FRANCE 9.50 5/ 5/1987	98 3/8	9.90 / 10.11	9.68
40 / 40.0	1979 / 99.50	S.F.T.E. 8.25 10/ 4/1989	85 1/4	11.13 / 11.81	9.70
8 / 4.1	1969 / 98.00	SCOTLAND HYDRO/ELECTRIC 8.00 10/12/1984	147 3/4	9.41 / 9.82	8.37
20 / 6.7	1970 / 98.00	SOUTH AFRICA, REPUBLIC OF 8.75 30/12/1982	147 3/4	11.48 / 12.53	9.15
20	1975 / 99.00	STATSFORETAG 9.25 29/12/1985	98 5/8	9.67	9.40
18	1980 / 99.00	UNION BANK OF NORWAY 9.50 5/ 3/1990	97 5/8	9.95	9.75
12 / 4.0	1969 / 98.00	[illegible] 7.00 15/ 6/1984	146 1/4	8.92 / 10.33	7.40
		FRENCH FRANCS			
150 / 150.0	1980* / 100.25	AEROPORT DE PARIS 13.125 20/ 8/1987	93 5/8	14.66 / 14.84	14.02
100 / 71.0	1975 / 99.25	AEROSPATIALE P 10.00 6/ 5/1985	87 3/8	14.16 / 17.26	11.44
120	1979 / 99.50	AIR FRANCE 11.00 15/ 9/1984	90 5/8	14.49	12.14
100 / 72.0	1972 / 98.50	B.A.T. INT FIN 7.50 15/11/1987	71 3/4	14.29 / 16.02	10.45
100 / 72.0	1972 / 100.00	BANQUE TRANSATLANTIQUE 7.50 1/ 5/1987	72 1/2	14.84 / 17.35	10.49
50 / 34.0	1972 / 100.00	BASS CHARRINGTON 7.50 1/ 8/1987	72 1/2	14.60 / 16.46	10.49
100 / 76.0	1972 / 100.00	BRITISH LEYLAND MOTOR 7.50 30/ 9/1987	64 3/4	16.67 / 21.63	11.58
80	1975 / 100.00	CHARBONNAGES DE FRANCE 10.25 15/ 4/1982	96 1/4	13.97	10.65
400	1980* / 100.00	CHARBONNAGES DE FRANCE 13.875 16/12/1985	97 1/4	14.67	14.27
100 / 81.0	1972 / 98.00	CHATER CONSOLIDATED O/S 7.50 1/10/1987	71 1/4	14.34 / 15.80	10.53

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28th FEBRUARY 1981 WestLB Euro-Deutschmarkbond Quotations and Yields

Advertisement

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment D-mandatory-drawing by lot at par S-sinking fund P-purchase fund
8% ADELA 78/83	87.95	9.10	15.11	2.09	1. 4.83
7¼% ADELA 77/82 PP	85.00	8.53	21.53	1.30	16. 6.82
7% ADELA 77/82 PP	84.00	8.33	20.98	1.42	1. 8.82
7¾% African Dev. Bank 79/86	83.00	9.34	12.31	5.26	1. 6.86
8% African Dev. Bank 79/87	85.00	9.41	11.30	6.67	1.11.87
6½% Airport Paris 69/84 PP (G)	91.50	7.10	11.57	1.97	1. 3.75—84D
8% AKZO 75/82 PP	97.00	8.28	12.59	0.92	1. 2.82
7¾% AKZO 76/83 PP	88.50	8.76	13.98	2.26	1. 6.83
6% AKZO 78/84 PP	84.00	7.14	12.55	3.04	1. 4.84
6½% AKZO 78/86 PP	80.00	8.13	12.05	5.01	1. 3.86
9% AKZO 80/90	91.50	9.84	10.47	9.21	16. 5.86—90S
8¾% Alusuisse Int'l. 75/83	96.00	8.59	11.44	1.39	1. 8.81—83D
5½% American Expr. Int'l. 79/87	79.00	6.96	10.45	5.88	15. 1.87
6¾% AMEX Int'l. 77/84 PP	89.00	7.58	11.14	3.09	1. 4.84
10% A.P.E.L. 74/81 (G)	99.00	10.10	11.31	0.76	1.12.77—81D
7¾% ARBED Finance 76/83 PP	87.75	8.83	13.45	2.67	1.11.83
6¾% ARBED Finance 77/87	79.75	8.46	11.44	6.26	1. 6.83—87S
7½% ARBED Finance 79/86 PP	80.00	9.38	12.68	5.59	1.10.86
9% ARBED Finance 80/87 PP	90.50	9.94	11.17	6.26	1. 6.87
8¾% Ardal-Sunndal 75/81 PP	99.25	8.82	10.78	0.34	1. 7.81
6¾% Ardal-Sunndal 77/89 PP	80.50	8.39	12.63	4.53	1. 7.82—89D
7½% Argentine 77/84	89.00	8.43	11.36	3.59	1.10.84
6½% Argentine 78/85	79.00	8.23	13.64	4.01	1. 3.85
6½% Argentine 78/88	70.00	9.29	14.78	5.54	1.11.84—88D
7½% Argentine 79/89	76.50	9.80	12.19	8.17	1. 5.85—89S
7% Asian Dev. Bk. 69/84	97.00	7.22	8.16	3.51	1. 9.75—84S
8% Asian Dev. Bk. 76/82	97.00	8.25	11.32	1.01	1. 3.82
7¾% Asian Dev. Bk. 76/83 PP	93.50	8.29	11.40	2.09	1. 4.83
7% Asian Dev. Bk. 77/85	86.50	8.09	11.29	4.09	1. 4.85
5½% Asian Dev. Bk. 78/88	74.00	7.43	10.90	7.17	1. 5.88
7¼% Asian Dev. Bk. 79/89	80.50	9.01	10.88	8.42	1. 8.89
8½% Asian Dev. Bk. 80/90	86.80	9.85	10.61	9.67	1.11.90
10% Asian Dev. Bk. 80/90	98.50	10.15	10.25	9.17	1. 5.90
7½% Aumar 73/78 (G)	91.10	8.23	10.72	3.72	1. 2.78—88D
9% Aumar 76/84 (G)	96.75	9.30	10.12	3.48	15. 8.77—84S
[illegible]					
8¾% Rep. of Austria 80/86 PP	90.00	9.17	10.80	5.31	20. 6.86
8¼% Rep. of Austria 80/88 PP	87.00	9.48	10.90	7.31	20. 6.88
8¼% Rep. of Austria 80/90 PP	86.00	9.59	10.68	9.31	20. 6.90
7¾% Rep. of Austria 80/90 PP	81.00	9.57	11.07	9.46	1. 8.90
8¼% Rep. of Austria 80/92	87.00	9.48	10.55	8.95	1.10.87—92D
7% Autopistas Cataluna 78/85 PP	83.00	8.43	12.81	3.88	16. 1.85
7¼% Autopistas Espanola 69/84 (G)	97.00	7.47	8.46	3.34	1. 7.73—84S
8% Autopistas Espanola 71/86 (G)	92.75	8.63	11.25	2.84	1.10.77—86D
6¾% Autopistas Espanola 72/87 (G)	86.00	7.85	12.01	3.37	1.10.78—87D
7¼% Autopistas Espanola 78/85 PP (G)	85.00	8.53	12.20	4.01	1. 3.85
7¼% Banco N. Desarrollo 79/86 (G)	80.75	8.98	12.67	5.01	1. 3.86

WestLB SD Certificates (Schuldschein-Index)

5 years maturity: 10.50%

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
8% Banco N. Obras 71/86 (G)	95.75	8.36	9.17	5.67	1.11.77—86S
9% Banco N. Obras 76/81 (G)	99.55	9.04	9.73	0.51	1. 9.81
7¼% Banco N. Obras 77/82 PP (G)	93.25	7.77	12.48	1.47	16. 8.82
7% Banco N. Obras 77/82 PP (G)	92.50	7.57	12.28	1.63	16.10.82
7% Banco N. Obras 77/84 (G)	88.50	7.91	11.02	3.59	1.10.84
5¾% Bk. America Overs. Fin. 78/90	74.50	7.72	9.97	9.67	1.11.90
6% Bank of Tokyo 79/86 PP	81.50	7.36	11.07	4.92	1. 2.86
[illegible]					

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
[illegible]					
7% Fuji Heavy 76/81 PP	97.00	7.22	11.25	0.76	1.12.81
9¾% Gen. Zbk. Vienna 75/82 PP	97.50	9.49	12.03	1.01	1. 3.82
8½% Gen. Zbk. Vienna 76/83 PP	95.00	8.95	12.56	1.41	1. 2.82—83D
6% Gen. Zbk. Vienna 77/87	82.20	7.30	11.08	4.65	1.12.83—87D
7% Giroz. Vienna 76/81	98.25	7.12	9.69	0.67	1.11.81
7¼% Giroz. Vienna 76/83	92.15	7.87	10.74	2.67	1.11.83
5½% Giroz. Vienna 77/82	92.50	5.95	10.83	1.59	1.10.82
5¾% Giroz. Vienna 78/86 PP	77.75	7.40	11.32	5.59	1.10.86
6⅞% Giroz. Vienna 79/84 PP	87.50	7.86	11.41	3.47	16. 8.84
8⅞% Giroz. Vienna 80/87 PP	91.00	9.75	10.91	6.26	1. 6.87
6% G.I.S. 78/83 PP	91.50	6.56	10.94	2.01	1. 3.82—83D

WestLB

For current prices and further information call

Düsseldorf Westdeutsche Landesbank Girozentrale	Telephone 8263122 Telex 8581882	International Bond Trading Dept.	
P.O.Box 1128 4000 Düsseldorf 1/FRG	Telephone 8263741 Telex 8581882	Institutional Investors Dept.	
London Westdeutsche Landesbank Girozentrale London Branch 41, Moorgate London EC2R 6AE/UK	Telephone 6386141 Telex 887984		
Luxembourg WestLB International S.A. 32–34, bd Grande-Duchesse Charlotte, Luxembourg	Telephone 4474143 Telex 2831	Hong Kong WestLB Asia Limited 1301 Hutchison House Hong Kong	Telephone 259206 Telex 75142

Westdeutsche Landesbank Girozentrale
Leading Marketmakers in Eurobonds

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
7% Grand Metrop. Fin. 77/84	89.30	7.84	10.97	3.42	1. 8.81—84S
8% Guest-Keen-Nettl. 76/83	93.25	8.58	11.65	2.18	2. 5.83
6¾% Hamersley Iron 72/87	88.00	7.67	9.33	6.34	1. 7.78—87S
8% Hazama-Gumi 76/81 PP	99.00	8.08	11.80	0.26	1. 6.81
8¾% Hazama-Gumi 80/85 PP	93.00	9.41	10.84	4.30	16. 6.85
7% Helsinki 68/83	97.50	7.18	8.36	2.34	1. 7.72—83S
9% Hidroeléctr. Ibérica 80/90	92.00	9.78	10.81	6.22	1. 8.84—90D
5¾% Hitachi Shipbldg. 78/83	87.50	6.57	11.17	2.80	16.12.83
8⅜% Honeywell Bull 80/90	88.50	9.46	10.32	9.42	1. 9.90P
8¾% IAKW, Vienna 75/85 (G)	96.00	9.11	10.55	2.61	1. 5.80—85D
10% IBM 80/86 PP	101.50	9.85	9.60	5.09	1. 4.86
7¼% Iceland 69/84	97.50	7.44	8.32	3.17	1. 5.73—84S
[illegible]					

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
[illegible]					
6½% Quebec Hydro El. 77/87	81.50	7.98	10.57	6.47	16. 8.87P
6¼% Quebec Hydro El. 77/87	80.25	7.79	10.46	6.76	1.12.87P
8½% Queensland Alu. 70/85	95.00	8.95	10.10	4.67	1.11.76—85S
5¾% Rautaruukki 78/88 (G)	79.75	7.21	11.27	4.99	1. 4.84—88D
7¼% Reed Paper 73/88	89.25	8.12	9.45	8.84	1. 1.79—88S
7½% Renault 80/85 PP	90.75	8.26	10.13	4.51	1. 9.85
8½% Renfe 76/82 (G)	95.50	8.90	12.24	1.34	1. 7.82
8% Renfe 77/84 (G)	91.75	8.72	11.29	3.09	1. 4.84

WestLB Euro-Deutschmarkbond Yield Index

February 27, 1981: 10.79% (January 30, 1981: 9.63%)

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
7% Renfe 79/87 (G)	80.75	8.67	11.46	6.26	1. 6.87
9% Rep. Chile 80/86	93.00	9.68	10.74	5.42	1. 8.86
5¼% Ricoh Comp. 78/83	87.50	6.00	11.40	2.42	1. 8.83
7¾% Roy Bk. of Canada 80/90	86.25	8.99	10.06	9.42	1. 8.90
6¾% Roy Lease 79/84 PP	88.50	7.63	10.75	3.59	1.10.84
7¾% SAAB 71/86	92.25	8.40	9.89	5.26	1. 6.77—86S
7½% Saga Petrokjemi 77/87 PP	86.00	8.72	10.63	6.34	1. 7.83—87S
7½% Sandvik 72/87	88.45	8.48	11.87	3.26	1. 2.78—87D
9¼% Sandvik 75/83	96.75	9.56	11.20	1.92	1. 2.83
7% Sanko Steamship 77/84	89.25	7.84	11.52	2.92	1. 2.84
8¼% Saiyu Stores 80/86	90.00	9.17	10.95	5.01	1. 3.86
6½% Shell Int'l. 72/87	89.50	7.26	8.79	6.09	1. 4.78—87S
[illegible]					

WestLB Euro-Deutschmarkbond Quotations (Continued)

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment: D=mandatory drawing by lot at par S=sinking fund P=purchase fund
6% Spain 78/88	77.00	7.79	10.76	7.17	1. 6.88
6% Sparbank Oslo 78/90 PP	82.00	7.32	11.58	4.27	15. 5.81—90D
7¼% Standard Imp. & Exp 78/82 PP	84.25	8.22	12.30	1.42	1. 8.82
6½% Stand. Chart. Bank 78/88	80.75	8.05	10.59	6.84	1. 1.88
6% Statoil 78/88 (G)	79.00	7.59	10.11	7.51	1. 9.84—88S
6½% Statoil 79/89 (G)	80.35	8.09	10.21	8.01	1. 3.86—88S
7% Statsfoeretag 77/85	91.25	7.67	11.30	2.44	1. 3.82—85D
8¾% Stockholm County 75/87	95.00	9.21	10.54	3.45	1. 4.79—87D
8½% Sumitomo Metal 75/82	95.50	8.90	12.24	1.34	1. 7.82
7½% Sun Oil Int. Fin. 73/88	95.25	7.87	8.37	7.42	1. 8.78—88S
7¼% Svenska Cell 73/88	91.00	7.97	9.05	6.92	1. 2.79—88S
6¾% Sveriges Inv. Bk. 72/87	89.75	7.52	9.04	6.91	1. 3.78—87S
7% Sveriges Inv. Bk. 73/88	90.50	7.73	8.88	7.01	1. 3.79—88S
8½% Sveriges Inv. Bk. 75/83	97.85	8.70	9.67	2.26	1. 8.80—83S
6½% Sweden 77/84	88.65	7.33	10.90	3.17	1. 5.84
6% Sweden 77/89	76.25	7.87	10.22	8.76	1.12.88—89S
7¾% Sweden 79/89	84.00	9.23	10.73	8.34	1. 7.89
7½% Sweden 79/89 PP	84.25	8.90	10.38	8.42	1. 8.89
8% Sweden 80/87 PP	87.25	9.17	11.02	5.97	16. 2.87
9¾% Sweden 80/87	99.00	9.85	9.97	6.09	1. 4.87
9% Sweden 80/87 PP	94.00	9.57	10.34	6.21	16. 5.87
9¼% Sweden 80/87 PP	96.00	9.64	10.08	6.67	1.11.87
7⅞% Sweden 80/90	83.00	9.49	10.81	9.51	1. 9.90
9½% Swedish Export 80/87	95.75	9.92	10.39	6.76	1.12.84—87S
9½% Tauernautobahn 74/81 (G)	99.25	9.57	11.49	0.34	1. 7.81
9% Tauernautobahn 75/82 PP (G)	97.50	9.23	11.78	1.01	1. 3.82
9% Tauernautobahn 75/83 PP (G)	95.75	9.40	11.49	2.01	1. 3.83
5½% Tauernautobahn 78/93 (G)	70.00	7.86	9.86	12.09	1. 4.84—93S
8½% Tauernautobahn 80/90 (G) PP	88.00	9.66	10.52	9.63	16.10.90
7% Tauerngrafwerke 68/83 (G)	97.50	7.18	9.11	1.47	1. 2.74—83S
6½% Tauerngraftwerke 68/83 (G)	98.25	6.62	7.41	2.51	1. 9.74—83S
8% Tenpfinco 73/93	88.50	9.04	9.60	12.67	1.11.82—93S
9½% Tenpfinco 75/82 PP	97.50	9.74	12.29	1.01	1. 3.82
6¾% Thailand 78/83 PP	92.00	6.79	10.70	2.09	1. 4.83
8% Thyssen Car. Fin. 75/82 PP	96.25	8.83	12.34	1.08	1. 4.82
8¼% Thyssen Car. Fin. 75/82 PP	96.00	8.59	11.55	1.34	1. 7.82
7¼% Tokyo El. Power 69/84	94.25	7.69	10.49	2.20	1.12.75—84D
6½% Tokyo El. Powerf 79/85	86.50	7.51	10.66	4.17	1. 5.85
5½% Toyo Rubber 78/83 PP	86.00	6.40	12.07	2.59	1.10.83
6½% Traf. House Fin. 72/87	88.75	7.32	8.81	6.59	1.10.78—87S
6% Trinidad & Tobago 78/83	89.00	6.74	12.26	2.09	1. 4.83
6¾% Trondheim 68/83	95.00	7.11	9.03	2.74	1.12.72—83S
5¾% Trondheim 78/88	78.50	7.32	10.76	8.06	1. 4.86—88D
7½% T R W Int. Fin. 69/84	94.25	7.96	9.64	3.59	1.10.75—84S
6% T V O Power 78/88 (G)	80.25	7.48	10.10	6.92	1. 2.84—88S
5¾% UDS Group 78/83	87.35	6.58	11.83	2.51	1. 9.83
9¾% Unilever 74/81 PP	100.20	9.73	9.35	0.76	1.12.81
8½% Unilever 75/87	96.50	8.81	9.26	6.17	1. 5.81—87S
6½% Union Bank Finland 78/88	80.50	8.07	10.24	7.80	16.12.84—88S
5¾% Uniroyal 78/84 PP	72.50	7.93	16.93	3.42	1. 8.84
6¾% Unit. Arab. Emirats 77/82 PP	94.00	7.18	12.51	1.17	30. 4.82
7% Venezuela 68/83	95.00	7.37	9.42	2.59	1.10.74—83S
6% Venezuela 78/88	73.75	8.14	11.69	7.01	1. 3.84—88S
6½% Venezuela 78/90	72.25	9.00	11.36	9.67	1.11.86—90S
9¾% Venezuela 80/90	92.50	10.54	11.08	9.66	1.11.86—90
7% Vienna 68/83	96.50	7.25	8.92	2.26	1. 6.74—83S
8¼% Vienna 75/84	94.86	8.70	11.41	1.86	1. 8.79—84D
5¾% Vienna 77/84 PP	84.50	6.80	10.94	3.80	15.12.84
8½% Voest-Alpine 73/88	92.50	9.19	9.93	7.59	1.10.79—88S
8½% Voest-Alpine 75/85	95.00	8.96	11.19	2.15	1. 6.81—85D
6¾% Voest-Alpine 77/89	83.25	8.11	10.89	5.61	1. 6.84—89D
6½% Wells-Fargo ex w. 73/88	85.25	7.62	9.26	7.67	[illegible]—88S
8¾% Westland-Utrecht 80/85 PP	92.00	9.51	11.34	4.01	1. 3.85
9% Westland-Utrecht 80/87 PP	90.00	10.00	11.18	6.67	1.11.87
5½% Worldbank 65/85	96.25	5.71	6.67	4.09	1. 4.71—85S
6½% Worldbank 65/85	91.75	7.08	11.79	1.81	2. 8.77—84D
6½% Worldbank 68/84 PP	92.50	7.03	11.83	1.69	1. 9.75—84D
6½% Worldbank 69/84	91.75	7.08	11.79	1.81	2. 1.77—84D
6½% Worldbank 69/84 PP	90.00	6.67	11.74	2.05	1. 4.77—84D
8% Worldbank 70/86	91.75	8.72	11.67	2.73	1. 1.77—86D
7½% Worldbank 71/86 I	91.50	8.20	11.42	2.60	1. 6.77—86D
7½% Worldbank 71/86 II	90.75	8.26	11.16	3.10	1.12.77—86D
6½% Worldbank 72/82	94.00	6.91	11.51	1.34	1. 7.82
6¾% Worldbank 72/87	90.25	7.48	10.33	3.37	1. 3.78—87D
6¾% Worldbank 73/83	93.50	7.22	10.65	1.92	1. 2.83
6½% Worldbank 73/88	84.75	7.62	12.12	3.38	1. 5.78—88D
8¼% Worldbank 75/82 PP	95.00	8.68	12.77	1.26	1. 6.82
8% Worldbank 75/82	95.25	8.40	11.07	1.76	1.12.82
8¼% Worldbank 75/83	97.00	8.51	9.70	2.34	1. 7.83
8% Worldbank 76/82 PP	95.00	8.42	11.93	1.42	1. 8.82
7¾% Worldbank 76/82 PP	94.75	8.18	11.47	1.59	1.10.82
7½% Worldbank 76/83	93.50	8.02	10.98	2.17	1. 5.83
7¾% Worldbank 76/83	93.00	8.33	10.95	2.59	1.10.83
6¾% Worldbank 76/83 PP	88.75	7.61	11.73	2.76	1.12.83
8% Worldbank 76/84	94.50	8.47	10.26	2.92	1. 2.84
5½% Worldbank 77/82 PP	91.50	6.01	11.77	1.55	15. 9.82
7% Worldbank 77/85 PP	87.50	8.00	11.03	4.01	1. 3.85
6½% Worldbank 77/85 PP	83.50	7.78	11.70	4.17	1. 5.85
6% Worldbank 77/85	84.50	7.10	10.43	4.55	15. 9.85
7% Worldbank 77/87	86.50	8.09	10.17	5.84	1. 1.87
6½% Worldbank 77/87	82.35	7.89	10.52	6.17	1. 5.87
5¾% Worldbank 78/84	88.00	6.53	10.04	3.42	1. 8.84
6% Worldbank 78/88	77.75	7.72	10.44	7.42	1. 8.88
6¼% Worldbank 78/88	79.00	7.91	10.30	7.76	1. 12.88
5¾% Worldbank 78/90	75.50	7.62	10.73	7.36	1. 2.87—90D
7% Worldbank 79/85 PP	85.50	8.19	11.32	4.42	1. 8.85
7⅞% Worldbank 79/87 PP	82.00	8.69	11.18	6.42	1. 8.87
7¾% Worldbank 79/91	83.75	9.25	10.37	10.34	1. 7.91
10% Worldbank 80/86	101.00	9.90	9.73	5.17	1. 5.86
8½% Worldbank 80/88 PP	88.50	9.60	10.85	7.26	1. 6.88
9% Worldbank 80/88 PP	93.50	9.63	10.31	7.17	1. 5.88
7⅞% Worldbank 80/90	85.75	9.18	10.41	8.84	1. 1.90
7⅞% Worldbank 80/90 II PP	88.00	8.95	9.97	8.84	1. 1.90
10% Worldbank 80/90	101.00	9.90	9.82	9.17	1. 5.90
8% Worldbank 80/90	88.00	9.09	10.01	9.42	1. 8.90
7¾% Worldbank 80/88 PP	86.25	8.99	10.49	7.42	1. 8.88
9¼% Worldbank 81/91	95.50	9.69	9.98	9.84	1. 1.91
6¾% Yokohama 68/83 (G)	98.00	6.89	7.79	2.51	1. 9.72—83S
7% Yokohama 69/84 (G)	98.25	7.05	7.37	3.59	30. 9.73—84S
8% Yokohama 71/86 (G)	98.50	8.12	8.34	5.42	1. 8.77—86S
8% Yugosl. Inv. Bank 77/84 PP	93.75	8.53	10.04	3.80	15.12.79—84S

AIBD PUBLICATION DATES 1981

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

It will be published on the following dates in the remainder of 1981.

Tuesday 14th April
Wednesday 13th May
Wednesday 10th June
Monday 13th July
Thursday 13th August
Mon. 14th September
Thursday 15th October
Wed. 11th November
Tues. 15th December

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INVESTMENT FUNDS

The following funds include Eurobond issues within their portfolios
Quotations & yields as at 28th February, 1981

SOCIETE GENERAL De BANQUE
BANQUE GENERALE Du LUXEMBOURG

Funds 28/2/81	Price	First Issue Price	Yield %	Div. Date	1/3/80 High	28/2/81 Low	1/3/78 High	28/2/81 Low
Rentinvest	LuxFr 775	LuxFl 1000	9.45	20/11/80	LuxFl 800	LuxFr 727	LuxFl 918	LuxFl 727
Capital Rentinvest	LuxFr 1533	LuxFl 1000	(Capitalisation)	(F71)	LuxFl 1580	LuxFl 1321	LuxFl 1580	LuxFl 1292

AIBD

EXPLANATORY NOTES AND ABBREVIATIONS

SPECIAL REFERENCES

1. General—attached to name of borrower

D = Domestic Management Group
L = Bondholders option to redeem loan prior to maturity or to extend maturity
P = Private or semi-private placement
MC = Principal/Interest payable in more than two currencies
W = Withholding taxes (with percentage rate %)
WW = With warrants
XW = Ex warrants

2. £/DM Issues

The figures shown are the fixed £/DM parities which prevail over the lives of the issues.

3. Floating rate Issues

The figures given are the minimum coupon rates; % margin above LIBOR.

4. Attached to maturity description

S = Semi-annual payments
Q = Quarterly payments

5. Convertible Issues

The share price is always denominated in the same currency as the conversion price. Please note that where the premium exceeds 200% no fig. is shown in premium/discount column.

The following convertible bonds are subject to convertibility into the indicated stocks.

The following international convertible issues have fixed rates of currency conversion.

Union Bank of Switzerland (Lux.) 5% 1981 differs from other convertibles in that the bonds are denominated US$1260 and each bond is convertible into 1 Bearer share of S.Fr.500 nominal value of UBS. Credit Suisse (Bahamas) 4½ 1991 differs from other convertibles in that the bond is denominated US$1000 and each bond is convertible into 1 Bearer Share of S.Fr.500 nominal value of Credit Suisse. The following convertible issues have conversion rights which expire prior to maturity.

6. Denomination of non-dollar bonds

7. Yield calculations

All yields are calculated on annual rates e.g. a 10% bond standing at par, paying interest once p.a. will have a current and maturity yield of 10%. A 10% bond paying semi-annually would yield 10.25%. Market practice demands that the current yield on $ floating rate bonds is calculated as coupon/price.

8.

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold directly or indirectly in the United States, its territories or possessions, or to nationals or residents thereof.

The information is from reports from official and other sources which we consider reliable, but adequate means of checking its accuracy are not available and we do not guarantee that the information contained herein is accurate or complete.

9. Other notes

The amounts shown as remaining outstanding are estimated by applying the scheduled sinking fund instalments. These are further adjusted where a non-cumulative option to double sinking fund payments has been exercised.

Yields are calculated in accordance with Rule 803 of Statutes, By-Laws, Rules and Recommendations of the AIBD using compound interest throughout. Negative yields are not shown.

The maturity, average life and first call yields are adjusted to a 360 day annual rate.

Yield to next call is shown on the basis that the borrower gives notice that he wishes to call the bond as soon as possible after the date of publication of this list.

Unit of account bonds

The new units of account formula applies to issues from 1973 onwards and the old formula to issues in or prior to 1972.

All payments of interest and capital of EUA bonds are made on the basis of the strongest reference currency, which means that the bondholder receives the equivalent in his own currency of the EUA/strongest reference currency prevailing at the time of payment. The EUA can thus at any given time be identified with the strongest reference currency. For convenience sake, however, bonds are quoted on the secondary market on the basis of the EUA/DM parity prevailing at the time of quotation. In order to be correct, yields for EUA bonds should be calculated on the basis of the strongest reference currency. For this purpose the price in DM is converted into the price in the strongest reference currency, taking into account the premium (if any) of the strongest reference currency against the DM. It is [illegible]

The Association of International Bond Dealers

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Italy vetos EEC sugar deal

BY LARRY KLINGER IN BRUSSELS

ITALY yesterday rejected the proposed new European Community sugar marketing scheme agreed by the other nine EEC member countries two weeks ago. The Italian decision also throws into doubt agreements concluded at the same time on New Zealand butter and Australian beef.

Italy informed the European Commission that the sugar agreement was unacceptable, provoking hurried consultations with the EEC Agriculture Ministers who are in Brussels for the Council of Fisheries Ministers.

The Community is well used to Italian tactics of delaying at the last moment package deals in order to squeeze out extra concessions from its EEC partners, and Commission officials were last night holding out hopes that a quick accommodation might be reached.

However, the fear remained that if no quick solution could be found, the issue could delay, or at least become embroiled in, the annual review of guaranteed EEC farm prices due to begin in earnest at the next Council of Agriculture Ministers on March 16 and 17.

In addition to the new five-year sugar marketing scheme, the agricultural package provisionally approved a fortnight ago includes arrangements for continued New Zealand butter imports into Britain, an increase in EEC frozen beef imports, mainly from Australia, and aids to under-developed agriculture regions—including Northern Ireland and the Western Isles of Scotland.

The measures had been group at the last agriculture council to make trade-offs possible between the member countries' special interests in order to clear the decks for the annual farm prices review.

However, the Italian attitude on sugar has, if anything, hardened over the past two weeks. Italy is now insisting on an overall increase in its sugar quota as well as insisting that the concessions demanded of it by the other member countries would increase unacceptably its food deficit problem. Italy is being asked to phase out its national aid scheme and regional pricing policy for sugar.

● World sugar values lost further ground on the London terminal market yesterday. The London daily price for raw sugar was cut by £5 to £234 a tonne—its lowest level since April last year. On the futures market the August position closed over £4 down at £230.225.

The decline was attributed to a general lack of buying demand at a time when supplies are freely available, including some "distressed" cargoes offered at cut prices. It was noted that white sugar values were holding up, reflecting the recent buying by the Soviet Union.

It is felt the amount taken up at the weekly EEC selling tender may be restricted, although an export subsidy, as opposed to a levy, may be needed for the first time since May last year to remain competitive with the drop in world market prices.

Fall in UK grain use forecast

By Richard Mooney

THE MINISTRY of Agriculture has reduced its estimate of UK grain usage in 1980/81 by 530,000 tonnes from the level projected in November.

Industrial and human consumption is now estimated at 9.005m tonnes, down 260,000, and animal feed usage at 10.855m tonnes, down 270,000.

The cuts have significant implications for forecasts of the supply/demand balance. A sharp rise in exports this season had, when compared with the earlier Ministry domestic consumption figures, indicated a possible tight supply situation later.

This has led British farmers, expecting a rise in prices to result, to hold of selling, a factor which has helped to strengthen the market recently.

Strike halts lead, zinc shipments

TWO OF the three mines at Broken Hill, Australia, hit by a strike that started on February 19, yesterday declared a force majeure on deliveries of lead and zinc concentrates — the raw material that is subsequently smelted and refined.

The mines concerned are the Zinc Corporation and New Broken Hill Consolidated, both owned by Australian and Smelting, whose subsidiary in Europe operates the Avonmouth smelter at Bristol. North Broken Hill Holdings, the other mine affected by the three-week old strike, has no plans to declare force majeure because it sells to a different way—supplying only two customers with unspecified tonnages.

Representatives of the striking miners and management were meeting a State industrial commission conciliator in Sydney in an attempt to sort out the dispute over terms of a new labour contract.

The news had little impact on the lead and zinc markets on the London Metal Exchange yesterday. Indeed lead prices fell sharply on trade selling, reflecting increased scrap supplies being attracted by the recent high market levels.

Cash lead closed £10.25 down at £325.27 a tonne. Cash zinc also fell by £4 to £334.25

Farm policy cash threat

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

PRESSURES on the Common Agricultural Policy were largely financial delegates to a Royal Agricultural Society conference were told yesterday. The Community's income had been growing at the rate of 15 per cent annually while expenditure was growing at 25 per cent annually" said Prof. Tangermann of Goettingen University speaking at a National Agricultural Centre conference at Stoneleigh in Warwickshire.

The EEC budget would run out of funds by 1982 chiefly due to the continuing increases in farm productivity, with the consequent need to finance exports and intervention buying of surplus supplies, he added. Had it not been for the recent increase in world prices and reduced export subsidies, the Community would have run out of funds this year.

Scope for increased income for the Community was limited, he said. There was no chance, he thought, of an increase of more than 1 per cent of VAT income.

In contrast, there could be a reduction in the income to the EEC farm fund from import levies partly because of the increase in Community production and because of the higher world prices.

Professor Tangermann thought co-responsibility levies would do nothing to restrict production but could be said to be an extra cost to the consumer in many cases. Quotas, both national and individual, were against the spirit of the Community. In any case once established they would be difficult to get rid of.

He thought the only solution would be for compromise in an impossible situation co-ordinating national aids.

This too was the theme of David Curry, a member of the European Parliament. He agreed the proposed aids were out of line with the basic principles of the Rome Treaty, but he pointed out that they already existed in most countries to a greater or lesser degree and some were already permitted by the CAP.

He knew many deplored the £400m the French had paid out to farmers in contravention of the rules, but that was better than landing that cost on the Community. Any other attempts at reform he felt were doomed to failure for political and other reasons.

But neither Professor Tangermann or Mr. Curry could explain how such a system could be worked without turning the whole Community and its principles on its head.

Cotton exporters' group

MEXICO CITY — Developing cotton exporting countries at the end of a five-day meeting here agreed to create a cotton producers' association.

Representatives of the "Group of 18," formed in Izmir last year, said this association would be a mechanism to implement economic co-operation programmes in priority areas, including international cotton prices, production, processing, marketing, research and development, transfer of technology and financial co-operation.

The Group of 18 accounts for about 30 per cent of world cotton exports.

In a report on the conclusions of the meeting, members of the Group of 18 said the creation of the producers' association will be recommended to their respective governments.

Participants also discussed the nataure, scope and substance of provisions that should be included in a comprehensive international agreement to be negotiated under the UNCTAD's Integrated Programme on Commodities (IPC).

They said the most realistic approach to tackling the package of substantive and institutional issues contemplated under this agreement would be a move to a negotiating stage.

Cotton-producing countries also reaffirmed the need to strengthen co-operation as a complementary approach to solving the problems facing them internationally.

EEC told to end beef discrimination

BY BRIJ KHINDARIA IN GENEVA

THE COMMON Market has been told to alter its import policies for high quality beef so to end discrimination against Canada and other countries arising from measures that favour the U.S.

The decision-taking Council of the General Agreement on Tariffs and Trade (GATT)—the world's trade surveillance body—said yesterday that the Community and Canada should hold talks as soon as possible to change Community beef import rules to satisfy Canada.

A GATT enquiry panel, created on Canada's insistence, submitted a report to the council saying that Canada has suffered "nullification or impairment" of benefits due to it as a member of GATT. Since the Community also belongs to GATT, it is obliged to ensure that GATT rules are not violated by any directives it might adopt separately from GATT. The Community fears that if it opens its doors to Canada, it will not be able to resist Latin American exporters.

Canada complained against a Community directive which lays down certain quality control procedures for the import of prime beef. Under the procedures, such beef may be imported only after receiving a special quality control certificate.

However, the certifying agency so far established is allowed to check only beef exported by the U.S. As a result high quality Canadian beef cannot be sent to the Community, although Brussels allows total imports of up to 10,000 tons, a quota usually left largely unfilled.

Imports of beef not carrying proper certificates are subjected to levies, which the Canadians argue hurt their exporters.

The panel's report says that under GATT rules, the Community is obliged to give Canadian and other suppliers of meat "similar" to U.S. "prime or choice" beef equal import privileges.

The Community has said that Canadian products are too dissimilar to fall under those GATT rules.

The Community allowed privileged imports of U.S. beef as part of a bilateral deal struck with the U.S. during last year's Tokyo Round negotiations, in return for concessions given by the U.S. to Community exporters for other products. Although Canada was told about the concessions it raised no objections at the time. It could not now expect to benefit from concessions given to the U.S. without itself offering any concessions in return, the Community argues.

Peanut and coconut expansion plans

BY BRIJ KHINDARIA IN GENEVA

PROGRAMMES worth $67m to increase Third World production of peanut and coconut products are nearing completion in a United Nations Group.

A week long meeting of experts from both producing and consuming countries decided last Friday that two five-year programmes — one worth $39m for peanuts and another worth $28m for coconuts — should be worked out in detail in coming months.

The overall programmes, containing suggestions for specific projects were prepared by the United Nations Conference on Trade and Development (UNCTAD) and the Food and Agriculture Organisation (FAO).

No formal international agreement has been reached concerning measures to boost Third World incomes from coconut and peanut exports. But it is clear that no price stabilisation measures will be taken nor will any buffer stocks be created. Because of the diversification of products made from both kinds of nuts, international efforts will focus on research and development and market promotions.

The overall programmes will be run by a FAO committee, and no new international organisation will be created. About 40 specific projects in almost all developing countries have been suggested by UNCTAD and FAO under the same programmes.

The U.S. and the EEC have reacted coolly to such expensive programmes. They have made clear that they will not provide any special contributions other than those contained in a common fund likely to become operational next year to finance a variety of commodity programmes sponsored by it.

Both peanut and coconut oil are being investigated as possible sources of energy to replace petroleum. Experiments are underway to assess the usefulness of those oils as an additive to diesel for ordinary internal combustion engines. Coconut shells are being studied as a source of charcoal and gas. Peanut shells and husk are also potential sources of fuel, if crushed into small blocks like charcoal.

Industrialised countries, especially the U.S. fear that a boost in Third World peanut output will further depress world prices, placing larger burdens on domestic price support programmes.

For developing countries, peanut growing is an important industry employing millions of small farmers. It is one of the rare primary product industries which has very little participation of transnational companies in the Third World.

About 80 per cent of the world's peanut and coconut output comes from developing countries. The value of world trade in peanut products was $1.2bn in 1977-79, and $1.4bn in coconut products in 1978.

India, China and the U.S. are the main peanut producers accounting for 60 per cent of world output. But they consume most of their own output and about 20 developing countries are emerging as important exporters. Total peanut production was estimated at 18.6m tons in 1978 and the volume trade globally was 2.6m tons.

Estimates of total coconut output are imprecise because much production does not enter either domestic or foreign markets. But it is thought to stand at 15,000m nuts a year from about 500m palms. The largest producers are the Philippines, Indonesia, Sri Lanka and India. Significant quantities are also found in other countries of South East Asia, Central America, the Caribbean, West and East Africa, and the Pacific.

A big problem in developing countries is that up to 15 per cent of oil is wasted in the extraction process from peanuts and coconuts. Processes have been found to reduce this loss to just 1 per cent but they cannot be used in small-scale operations. An important field of research included in the projects so far suggested, would enable such efficient extraction on a small-scale to improve nutrition of poor families.

Import rules relaxed

BY DIANA SMITH IN LISBON

PRIVATE or nationalised, Portuguese concerns will have access to import trading in sugar, edible oils, grain and fish. Until now, this trade has been handled exclusively by state-owned monopolies.

This has been announced by the Secretary of State for Commerce, Sr. Valter Marques. No formal plans exist yet, but it is understood that there will be a gradual transfer of responsibility for part of import purchases—for instance, 25 per cent of sugar imports—to new hands.

Portugal relies on the outside world for over half its food-stuffs. Between January and August 1980, it imported 2.26m tonnes of grain—especially wheat (432,771 tonnes), maize (1.73m tonnes), rice (5,040 tonnes) and sorghum (28,056 tonnes), 200,381 tonnes of sugar and molasses, about 10,000 tonnes of edible oils, and over 50,000 tonnes of fish and seafood.

There has been criticism of the cumbersome state monopolies in recent times, and changes in government attitude fit in with the principal of liberalising the economy as Portugal prepares for EEC accession in 1984.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Barely changed on the London Metal Exchange. Forward metal opened at £823 and moved ahead to £831 around mid-day following the rise in gold. In the afternoon the firmness of sterling against the dollar pared the price to £824.5 on the late Kerb. Turnover: 31,100 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
Wirebars	£	£	£	£
Cash	804.5-5	+3.5	802-.5	
3 months	827-.5	+2.25	825-.5	+.25
Settlem't	805	+3.5	—	
Cathodes				
Cash	801-.3	+2.5	798-9	-1
3 months	814-.5	+3	811-2	-1.75
Settlem't	802	+3	—	
U.S. Prod.	—		*81.5-85	

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £804.5, three months £826, 26.5, 27, 26, 26.5, 27, 27.5. Cathodes, cash £802, 3, 1, 2, three months £815.5, 15. Kerb: Wirebars, cash £804.5, three months £827.5, 28, 27.5. Afternoon: Wirebars, three months £825, 26, 25.5, 25, 25.5. Cathodes, cash £798, three months £813, 12, 12.5, 24, 24.5.

TIN—Marginally firmer in quiet trading. Three months opened at £6,180 and rose to £6,180 in the morning Rings; reflecting the rise on the Penang market and light physical interest. However, the firmness of sterling prompted light selling in the afternoon and forward metal closed the late Kerb at £6,170. Turnover: 680 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6080-90	+27.5	6065-75	+22.5
3 months	6180-90	+2.5	6170-80	+7.5
Settlem't	6090	+35	—	
Standard				
Cash	6080-90	+27.5	6065-75	+22.5
3 months	6180-90	+12.5	6170-80	+7.5
Settlem't	6090	+35	—	
Straits E.	$850.94	+8.19	—	
New York	—			

Morning: Standard, cash £6,090, three months £6,180, 85, 90. Kerb: Standard, three months £6,180. Afternoon: Standard, three months £6,175, 80. Kerb: Standard, three months £6,165, 70.

LEAD—Lost ground as profit-taking and hedge selling against scrap intake saw forward metal fall to £329.5 before a close of £332 on the late Kerb. Turnover: 11,625 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	329-.5	—5	325-.5	—10½
3 months	336-.5	—5	333-.5	—9.5
S ment	329.5	—5	—	.....
U.S. Spot	—	.....	*34	.....

Morning: Cash £330.5, 29.5, 29, 29.5, three months £340, 39, 38, 37, 37.5, 37, 36, 36.5. Kerb: Three months £337, 36.5, 36, 36.5. Afternoon: Three months £337, 36.5, 36, 38, 34, 33. Kerb: Three months £333.5, 34, 33.5, 33, 32.5, 32, 31, 32.

ZINC—Easier. Forward metal traded around the £349 level for most of the morning but fell away to close the afternoon Kerb at £345 as sterling moved ahead following the Budget. Turnover: 5,600 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	336.5-7.5	+.5	334-.5	—4
3 months	347.5-8	+.5	345-.5	—3.5
S'ment	337.5	+.5	—	.....
Primw'ts	—	.....	*41.5	.....

Morning: Three months £348.5, 48, 47.5. Afternoon: Three months £348.5, 48, 47, 46.5, 46, 45, 45.5, 45.25. Kerb: Three months £345.

ALUMINIUM—Slightly easier. Three months traded quietly around the £660 level for most of the morning before lifting to £664.5 on the morning Kerb following good buying interest. This buying dried up in the afternoon, however, and forward metal dipped to £657 before recovering to close the late Kerb at £661. Turnover: 9,425 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	648.5-9.5	—12	648-50	—5.5
3 months	659-.5	—11.5	659-60	—3

Morning: Cash £652, three months £663, 62, 61, 60, 59.5, 59. Afternoon: Three months £661, 60, 58, 57, 58, 59. Kerb: Three months £658, 59, 60, 61.

NICKEL—Moved narrowly, reflecting currency fluctuations prior to closing the late Kerb at £2,790. Turnover: 240 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2810-5	—28	2785-95	—25
3 months	2800-3	—38	2780-5	—25

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

Morning: Three months £2,810, 05, 2,800. Afternoon: Three months £2,800, 2,783, 81. Kerb: Three months £2,795, 90.

SILVER

Silver was fixed 9.55p an ounce higher for spot delivery in the London bullion market yesterday at 548.6p. U.S. equivalents of the fixing levels were: spot $12.135, up 33.2c; three-month $12.616, up 34.3c; six-month $13.106, up 31.7c; and 12-month $13.947, up 34.8c. The metal opened at 536p-545p ($11.85-$12.05) and closed at 538p-547p ($12.0-$12.2).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	548.60p	+9.55	545.0p	+2.5
3 months	565.00p	+8.85	561.0p	+2.5
6 months	581.80p	+8.55	—	.....
12 months	610.80p	+8.80	—	.....

LME—Turnover 157 (196) lots of 10,000 ounces. Morning: three months 568, 67, 66.5, 66, 65.5. Kerbs: three months 568, 70. Afternoon: three months 564, 66, 61, 60. Kerbs: three months 559, 60, 57.

COCOA

In more active trading than of late cocoa futures eased at the opening before a £10 rally, however closing levels were relatively unchanged to those of Monday evening. Physical cocoa was again unattractive to producers or consumers and only light activity was seen in the second hand market, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	829-830	—6.0	840-825
May	914-915	+1.0	918-908
July	950-951	+6.0	954-940
Sept.	969-970	+4.0	974-963
Dec.	999-1000	+5.0	002-993
March	1020-21	+3.0	1020-16
May	1038-40	+3.5	1040-37

Sales: 3,781 (2,384) lots of 10 tonnes. ICCO Futures—Daily price for March 9 94.18 (93.60); five-day average 93.75 (93.72).

COFFEE

Robustas opened slightly lower in volume that was boosted by self-trades, reports Drexel Burnham Lambert. Early dealings held steady for the most part, but towards lunch values eased under commission house selling. In the afternoon volume died away and values settled into a mid range position in quiet conditions. However late dealer buying pushed values back to the day's highs and business was concluded £5 either side of Monday night's close.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
March	1007-10	+2.0	1007-02
May	1025-27	—2.0	1031-20
July	1038-39	+4.5	1042-30
Sept.	1053-55	+5.0	1056-45
Nov	1055-60	+5.5	1051-47
Jan	1055-60	+5.0	1055-52
March	1045-60	+2.5	1045-45

Sales: 1,991 (1,958) lots of 5 tonnes. ICO Indicator prices for March 9 (U.S. cents per pound): Other Mild Arabicas 123.33 (125.00); Robustas ICA 1976 113.25 (113.75); ICA 1968 113.50 (114.00). Unwashed Arabicas unquoted. Comp. daily ICA 1968 unquoted.

GRAINS

LONDON GRAIN FUTURES—Old crop wheat opened 15p higher, but values eased quickly. Values increased to unchanged after lunch but sellers pushed them down on the close to finish week 20p-35p lower on the day. The barley trade was very quiet, values eased on general lack of buying interest, improved slightly after lunch. But the market closed weak, 40p-45p down the day. New crops saw hedge selling pressure again and registered losses of 35p-45p on wheat and 45p-50p on barley, reports Acli.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
Mar.	111.70	—0.35	98.60	—0.45
May	113.80	—0.29	100.75	—0.48
July	117.30	—0.30	—	
Sep.	98.90	—0.45	93.60	—0.46
Nov.	102.60	—0.38	97.40	—0.45
Jan.	106.40	—0.55	101.25	—0.45

Business done: Wheat: March 111.90-111.50, May 114.00-115.30, July 117.40-116.90, Sept. 98.80-98.80, Nov. no trade, Jan. 106.40-106.40. Sales 289 lots of 100 tonnes. Barley: March 98.85-98.85, May 101.00-100.50, July no trade, Sept. 93.65-93.60, Nov. and Jan. no trade. Sales 63 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Hard Winter, 13½ per cent, March 105.25, April 104.50 transhipment East Coast. English Feed fob April 117.00 paid. Maize: South African Yellow March/April 89.00. Barley: English Feed fob April/May 104.50, May 105.00 paid. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 97.40, S. West 97.10, W. Midlands 96.80, N. West 99.80. The UK Monetary Co-efficient for the week beginning Monday March 16 is expected to remain unchanged.

RUBBER

The London physical market opened about unchanged, with little interest throughout the day, closing quiet. Lewis and Peat reported an fob April price for No. 1R SS in Kuala Lumpur of 298.0 (299.5) cents a kg and SMR 20 at 264.0 (265.0) cents.

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
Apr.	60.20-62.50	60.00-61.50	—
May	61.50-62.50	61.10-61.80	—
Apr-Jne	61.60-62.20	61.70-61.80	62.10-61.40
Jly-Sept	65.20-65.40	65.10-65.20	65.60-65.80
Oct-Dec	69.00-69.29	68.10-68.20	69.50-67.80
Jan-Mar	70.89-71.10	70.99-71.10	—
Apl-Jne.	73.50-74.10	73.50-73.80	74.80
Jly-Sept	76.40-77.10	76.20-76.60	—
Oct-Dec	78.89-79.30	78.80-79.20	—

Sales: 97 (349) at 15 tonnes. None at 5 tonnes. Physical closing prices (buyer) were: Spot 58.25p (58.75p), April 62.75p (62.50p), May 63.75p (same).

SOYABEAN MEAL

The London market opened slightly easier in thin trading conditions, reports T. G. Roddick. Prices held steady until late in session mixed selling encouraged by stronger sterling pressured the market, which closed with losses of up to £2.

	Yest'rd'ys Close £ per tonne	+ or —	Business Done
April	123.50-25.5	—1.90	125.60-25.60
June	124.50-24.7	—1.00	126.70-24.50
August	128.00-28.2	—2.25	128.20-28.00
October	127.20-28.0	—1.90	—
December	129.50-29.5	—3.25	—
February	129.50-32.0	—1.25	—
April	130.00-35.5	—0.75	—

Sales: 92 (197) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar £234.00 (239.00) a tonne cif for March-April shipments. White sugar daily price was £270.00 (same).

Prices eased some £5 from overnight levels at the opening but were thereafter confined within a £2 trading range in moderate dealings, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
May	254.50-54.75	258.75-58.80	259.75-52.25
Aug.	230.20-30.25	234.50-34.50	238.00-28.00
Oct.	226.50-27.00	232.25-32.50	235.75-24.50
Jan.	212.00-13.50	217.50-18.00	213.50-12.00
March	212.75-13.50	217.75-18.25	219.00-12.50
May	213.50-14.00	217.50-18.50	214.50-13.00
Aug	213.50-14.00	217.50-18.50	216.00-13.25

Sales: 10,018 (8,712 lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.5 (same) a tonne for home trade and £310.00 (£317.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port. Prices for March 9. Daily price 21.07 (21.61): 15-day average 22.82 (23.00).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. March 337, 355, nil, nil; May 350, 354, 352, 1; Aug. 362, 370, nil, nil; Oct. 368, 373, nil, nil Dec. 374, 377, nil, nil; Jan. 380, 385, nil, nil; March 380, 384, 382, 1; May 382, 388, 383, 1; Aug. 383, 389, 385, 1. Sales: 4.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business, sales). Australian cents per kg. March 490.3, 491.5, 491.5-487.0, 40; May 483.1, 483.3, 483.5-482.0, 104; July 490.0, 490.5, 492.0-487.5, 142; Oct. 486.6, 488.0, 487.5-485.5, 34; Dec. 490.5, 482.0, 491.0-489.5, 48; March 498.0, 499.0, 498.0-496.0, 10; May 503.0, 505.0, 505.0-500.0, 9; July 508.0, 509.0, 508.0-506.0, 8. Sales: 395.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 116 tonnes, bringing the total for the week so far to 154 tonnes. Although a little more business was under review, contracts were rarely fixed up and the inevitable slackness prior to a governmental announcement was evident. Some demand developed in Middle Eastern supplies, but the offtake was only patchy.

PRICE CHANGES

	Mar. 10 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	.....	£810/815
Free Mkt	$1445/1475	.....	$1480/480
Copper			
Cash w'bar	£802.5	—0.50	£777.5
3 mths	£825.5	+0.25	£800.75
Cash Cathode	£798.5	—2	£775.5
3 mths	£811.5	—1.75	£787.25
Gold troy oz	$485.5	+8	$514.5
Lead Cash	£325.25	—10.25	£296.5
3 mths	£333.25	—9.5	£305.75
Nickel	£3,358.65	.....	£3,156
Freemkt	275/290c	.....	280/295c
Platin'mtr'y oz	£213.50	.....	£202
Freemkt	£211.25	+6.10	£217.10
Quicksilvert	$405/413	+4	$385/395
Silver troy oz	548.60p	+9.55	592.65p
3 mths	565.0p	+9.65	611.05p
Tin Cash	£6,070	+22.5	£5,904
3 mths	£6,175	+7.5	£6,047
Tungsten 22.04lb	$145.47	.....	$144.72
Wolfrm 22.04 lb	$151/155	.....	$148/151
Zinc Cash	£334.25	—4	£515.75
3 mths	£345.25	—3.5	£327.5
Producers	$825	.....	$825
Oils			
Coconut (Phil)	$585x	.....	$600
Groundnut	‡	.....	‡
Linseed Crude	£418	.....	£400
Palm Malayan	$605r	.....	$610
Seeds			
Copra Philip	$395	.....	$405
Soyabean (U.S.)	$310x	+5	$298
Grains			
Barley Futures	£100.75	—0.40	£99.50
Maize			
French	‡	.....	£123
Wheat			
No 1 Red Spg	‡	.....	‡
No2 HardWint	£105.25	—1	£104
Eng. Millingt	‡	.....	‡
Other commodities			
Cocoa ship't	£1,010	+11	£935
Future May	£914.5	+1	£879
CoffeeF t'May	£1026	—2	£1014.5
Cotton A.Index	93.10c	+0.05	96.40c
Rubber (kilo)	58.25p	—0.50	57.00p
Sugar (Raw)	£234	—5	£265
Woolt'ps 64s kl	324p kilo	.....	308p kilo

POTATOES

LONDON POTATO FUTURES—The market was quiet awaiting fresh news to create some direction, reports Coley and Harper. Closing prices: April 58.80 —40 (high 59.20, low 58.80); Nov. 57.00 +20 (high 57.50, low 57.00); Feb. 67.10 +20 (high 67.10, low 67.00). Turnover: 98 (56) lots of 40 tonnes.

★

HIDES—Birmingham: market firmer. Second clears: Ox 31-35.5 kg, 42.1p a kg (40.3p a kg); 26-30.5 kg, 48.1p a kg (46.1p a kg withdrawn); 22-25.5 kg, 56.9p a kg (52.9p a kg); Light cows 47.8p a kg (43.0p a kg).

★

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 72.0 to 76.0; Eire hindquarters 87.5 to 90.0, forequarters 58.5 to 59.5. Veal: Dutch hinds and ends 109.0 to 111.0. Lamb: English small 69.0 to 78.0, medium 69.0 to 76.0, heavy 60.0 to 70.0; Imported frozen: New Zealand PL 54.5 to 55.5, PM 54.0 to 55.0. Pork: English, under 100 lb 42.0 to 50.8, 100-120 lb 42.5 to 48.5, 120-160 lb 40.2 to 47.0.

★

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone; Shelf cod £3.50-£4.00, codlings £1.60-£3.00; large haddock £2.60-£3.60, medium £2.60-£3.40, small £2.40-£2.80; best small plaice £2.40-£2.80; skinned dogfish (medium) £6.00; reds £1.60-£2.40; saithe £1.20-£1.60.
//skinned—

AMERICAN MARKETS

NEW YORK, March 10.

PRECIOUS METALS firmed up on a weaker dollar and tension in the Polish situation. Copper closed mixed on trade selling. Cotton closed limit down on general liquidation and stop-loss selling. Sugar retreated on commission house selling and lack of interest in physicals. Coffee and cocoa were featureless with occasional arbitrage trade on both sides of the market. Cattle prices gained moderately on light commission house buying, while continued heavy slaughter in hogs put pressure on pork products. Late local and commission house selling in grains and soyabeans resulted in minor, declines across the board, reported Heinold.

Copper—March 79.50 (79.60), April 80.45 (80.35), May 81.50-81.70, July 83.85-83.90, Sept. 86.15, Dec. 89.30, Jan. 90.10, March 92.10, May 93.90, July 95.70, Sept. 97.50, Dec. 100.10, Jan. 101.00. Sales: 500.

Sugar—No. 11: May 21.30-21.50 (21.85), July 21.10-21.20 (21.82), Sept. 21.22, Oct. 21.10, Jan. 19.64, March 19.85, May 19.90, July 20.00. Sales: 13,074.

Tin—619.0-633.0 (616.0-629.0).

CHICAGO, March 10.

Lard—Chicago loose 19.75 (same).

Live Hogs—April 42.70-42.55 (43.90), June 46.90-46.80 (48.07), July 48.15-48.25, Aug. 47.20-47.07, Oct. 46.50-46.40, Dec. 50.20-50.10, Feb. 53.10, April 52.10, June 57.00.

‡‡Maize—March 347½-347¼ (351½), May 355½-355¼ (359¼), July 363¾-363, Sept. 360-360¼, Dec. 358½-359, March 369¾-369½.

Pork Bellies—March 46.27 (48.27), May 47.65 (49.65), July 49.25, Aug. 48.52, Feb. 60.60, March 60.40, May —.

Silver—March 1203.5 (1185.0), April 1212.5 (1195.0), May —, June 1239.4, Aug. 1269.4, Oct. 1299.4, Dec. 1329.4, Feb. —, April 1389.4, June —, Aug. 1449.4, Oct. 1479.4, April —, June —, Aug. —, Oct. —.

†Soyabeans—March 715½ (724¼), May 736-735 (747¼), July 760-759, Aug. 765½, Sept. 773-772, Nov. 787-788, Jan. 806½-807, March 827½.

‖Soyabean Meal—March 203.5-204.0 (206.7), May 210.0-210.5 (213.5), July 216.7-216.5, Aug. 219.5-220.0, Sept. 223.0, Oct. 225.8-226.0, Dec. 228.0, Jan. 231.0, March 235.0-237.0, May —.

Soyabean Oil — March 23.30-23.32 (23.57), May 23.83-23.88 (24.11), July 24.55-24.60, Aug. 24.85, Sept. 25.65, Oct. 25.25-25.30, Dec. 25.90, Jan. 26.05-26.10, March 26.65-26.75, May 27.10-27.15.

†Wheat — March 426½-426 (432½), May 429½-430 (437¾), July 429-430½, Sept. 444, Dec. 464-465, March 482.

WINNIPEG, March 10.

§Barley—March 148.20 (148.00), May 151.20 (151.00), July 152.20, Oct. 152.00, Dec. 151.00.

Monday's closing prices

NEW YORK, March 9.

††Cocoa—March 1935 (1934), May 1972 (1969), July 2025, Sept. 2076, Dec. 2132, March 2193, May 2248, July —. Sales: 977.

Coffee—"C" Contract: March 119.00-119.25 (121.75), May 120.75-120.90 (122.68), July 122.75-122.80, Sept. 124.30-124.50, Dec. 123.50-123.75, March 122.00, May 122.00, July 122.25-123.00. Sales: 1,490.

Cotton—No. 2: March 88.10-88.50 (88.25), May 89.00-89.05 (88.91), July 88.71-88.80, Oct. 86.30-85.50, Dec. 82.30-82.35, March 82.60, May 83.00-83.50, July 83.00. Sales: 6,250.

*Gold—March 471.9 (464.0), April 474.0-475.5 (467.0), May 480.3, June 485.0-486.0, Aug. 497.2, Oct. 508.8, Dec. 520.5, Feb. 532.3, April 544.2, June 556.2, Aug. 568.4, Oct. 580.8, Dec. 593.4. Sales: 35,000.

Heating Oil (cents per U.S. gallon)—April 0.9680 (0.9685), May 0.9675 (0.9688), June 0.9730, July 0.9748, Aug. 0.9840, Sept. 1.0050, Oct. 1.0270, Nov. 1.0490, Dec. 1.0690, Jan. 1.0950, Feb. 1.1150, March 1.1300. Sales: 2,098.

Orange Juice—March 137.20 (137.00), May 143.00-143.10 (143.50), July 147.10-147.40, Sept. 150.30, Nov. 148.75-149.00, Jan. 148.00-146.10, March 146.75-146.90, May 147.50-147.60, July 148.40-149.00. Sales: 1,200.

*Platinum—March 446.0 (437.0), April 448.5-450.0 (441.1), May —, July 469.0-469.5, Oct. 488.4, Jan. 500.0, April 520.0. Sales: 1,450.

§Silver—March 1182.5 (1173.8), April 1194.0 (1185.5), May 1207.0-1210.0, July 1242.0, Sept. 1271.0, Dec. 1318.0, Jan. 1333.5, March 1365.0, May 1396.5, July 1428.0, Sept. 1459.5, Dec. 1506.5. Sales: 3,200. Hardy and Harman bullion spot 1202.0 (1198.0).

CHICAGO, March 9.

Chicago 1mm Gold—March 472.0-471.0 (465.0), April 480.0 (465.5), June 486.5-485.5, July 483.3, Sept. 502.5-503.0, Oct. 500.3, Dec. 519.5-519.9, Jan. 517.6, March 537.0, April 535.0.

WINNIPEG, March 9. §Barley—March 148.00 (146.60), May 151.00-151.10 (149.50), July 152.40-152.50, Oct. 152.20, Dec. 150.90.

§Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 267.0 (267.30).

EUROPEAN MARKETS

ROTTERDAM, March 10

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent. March $215, April/May $212, June/July $210. U.S. No. 2 Red Winter March $214, April $206, May $208. U.S. No. 2 Northern Spring, 14 per cent. April/May $211, May $210, June $211, July $213, Aug./Sept. $214.

Maize—Afloat $164 traded/sellers, March $164.50, April $165.50, May $167.50, June $170, July/Sept. $171.75, Oct./Dec. $169.50, Jan./March $180.50.

Soyabeans—U.S. No. 2 Yellow Gulfports spot $306, March/April $304, May $308.50, June $310.50, July $313, Aug. $316, Sept. $319.60, Oct./Nov. $321.50, Dec. $327.75, Jan. $333.50, Feb. $339.75, March $342. Argentine June/July $306.50 option. Argentine/Uruguay/Brazil/Paraguay April $302.50, May $304.50 sellers.

Soyameal—44 per cent protein, U.S. March $265.50 traded, afloat $271, March $267, April $268.50, May $267.50, April/Sept. $273, Nov./March $288.50 sellers. Brazil Pellets afloat $281.75 traded, March $280, April $277.50, May $277.50, April/June $278.50, April/Sept. $284 sellers.

PARIS, March 10.

Cocoa—(FFr per 100 kg): March 942-982, May 994-1,005, July 1,017, Sept. 1,062-1,073, Dec. 1,097-1,106, March 1,124-1,131, May 1,146-1,163. Sales at call: nil.

Sugar—(FFr per tonne): May 2,985-2,868, July 2,930-2,970, Aug. 2,829-2,835, Oct. 2,680-2,699, Nov. 2,660-2,710, Dec. 2,580-2,620, March 2,480-2,495, May 2,480-2,510. Sales at call: 11.

INDICES

FINANCIAL TIMES

Mar. 9	Mar. 6	Month ago	Year ago
258.56	257.38	263.96	294.59

(Base: July 1, 1952=100).

MOODY'S

Mar. 9	Mar. 6	Month ago	Year ago
1133.8	1123.6	1169.0	1320.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 9	Mar. 6	Month ago	Year ago
Spot	416.19	416.46	419.61	414.29
Fut'rs	487.37	427.97	436.47	443.48

(Average 1924-25-26=100)

REUTERS

Mar. 10	Mar. 9	M'nth ago	Year ago
1719.6	1724.9	1700.6	1738.0

(Base: September 18, 1931=100)

CORAL INDEX: Close 477-482 (—4)

Companies and Markets

LONDON STOCK EXCHANGE

First thoughts on Budget proposals favour Gilts
Equities uneasy late with emphasis on Banks

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 2	Mar. 12	Mar. 13	Mar. 23
Mar. 16	Mar. 26	Mar. 27	Apr. 6
Mar. 30	Apr. 8	Apr. 9	Apr. 21

* "New time" dealings may take place from 9 am two business days earlier.

A snap judgment of the Chancellor's Budget proposals was favourable to Gilt-edged securities, but distinctly hostile to the clearing Banks and, to a lesser extent, Breweries. The imposition of a "windfall profits" tax brought a sharp late reversal in the big four banks, while the larger-than-expected increase in excise duty took a toll on the Brewery leaders.

Prior to 3.30 pm, leading equities had adopted a firmer stance. The rally was largely technical with last-minute bear closing after the recent two-day setback sending many leaders to enhanced levels. Inevitably, trading conditions were extremely quiet and the bulk of the improvement took place in the morning session. The F.T. 30-share index was 3.8 up at the noon calculation and extended the gain to 4.8 at 3 pm before wilting late to close a mere 0.8 higher on the day at 484.3.

Of the index constituents, Tubes managed to hold most of an early rise on hopes that the final dividend will be maintained when the preliminary statement is announced today. Also awaiting annual figures Turner and Newall held steady at 75p.

Gilt-edged securities maintained Monday's recovery on assumptions that the Government would maintain its tight monetary policy. Long-dated stocks made much of the running and closed ½ point higher, albeit in continuing thin trading. Announcement of February's banking statistics with its indication of a 1 per cent increase in sterling M3 last month tended to unsettle the market before it became optimistic about the Chancellor's proposals. These included the long-awaited 2 per cent cut in Minimum Lending Rate to 12 per cent. Longer maturities could open ½ point higher this morning with the shorts around ¼ better.

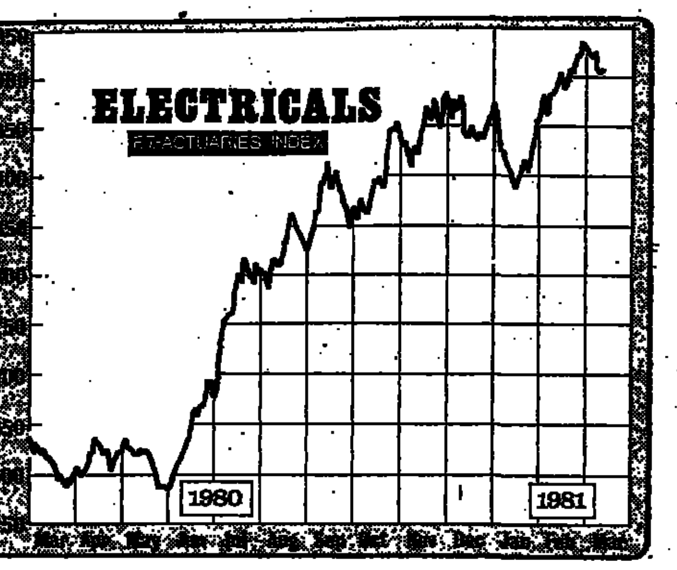
Increased activity in Traded options resulted in a total of 1,458 contracts being completed—almost double Monday's figure of 767. ICI remained to the fore with 290 trades, 145 of which were arranged in the April 330's. Cons. Gold Fields and BP recorded 262 and 207 trades respectively.

Banks fall late

Although not unexpected, the imposition of a "windfall profits" tax demoralised the major clearing banks and early improvements, sometimes ranging to 8, were replaced at the close by falls extending to 16. Lloyds reacted from 310p to finish 16 down on balance at 292p, while Barclays ended 10 lower at 380p, after 396p. Midland lost 3 at 315p, after 326p, and NatWest declined 5 to 345p, after 356p. Elsewhere, HongKong and Shanghai fell 10 to 166p following details of the substantial fund-raising proposals and 25 per cent scrip-issue.

Sedgwick Forbes' preliminary results were deemed disappointing and the close was 9 down at 121p, after 119p. Other Lloyds brokers drifted lower in sympathy. C. E. Heath gave up 7 at 215p and Stewart Wrightson 5 at 215p, while Hogg Robinson slipped 4 to 100p.

The increases in excise duties had contrasting effects on the drinks sector. Breweries ended with falls to 5, Whitbread, 144p, and Greenall Whitley, 109p, both losing that much. While Bass fell 3 to 206p. Distilleries, on the other hand, regained early falls to finish a shade firmer for choice. Highland, 90p, and Tomatin, 99p, both added a penny, while Arthur Bell reverted from 156p to the overnight level of 158p.



Building issues retained modest gains after the much-heralded cut in Minimum Lending Rate. Blue Circle closed 6 dearer at 366p and BPB 3 up at 240p. Improved prospects for the housebuilding industry helped Barratt Developments gain 7 to 198p, while Ward Holdings firmed 2 to 52p and Countryside a penny to 90p, the last-named after the annual meeting. Galliford Brindley gained the turn to 74p in continued response to the increased interim profits, while J. Jarvis, half-year results due today, rose 2 more to 190p.

ICI touched 252p in the house session, but encountered scrappy selling after-hours to close only 2 dearer on balance at 248p.

Mail-orders dull

Having marked time for most of the session, leading Stores settled with modest falls. Gussies A gave up 5 at 458p, while Mothercare shed 2 more to 226p. Woolworth, annual results due today, touched 57p before settling with a net gain of ½ at 56p. Secondary issues were narrowly mixed. Mail-orders came under pressure and falls of 6 and 8 respectively were sustained by Empire, 134p; and Freemans, 114p. Grattan Warehouses eased a couple of pence to 68p. Revived interest lifted Kean and Scott 4 to 50p, while recently dull Harris Queensway rallied 2 to 186p.

Vitatron were notably dull in Electricals, falling 25 to 130p on the Board's warning of a substantial loss for the year. George Scholes gave up 12 more for a two-day relapse of 37 to 213p following consideration of the interim dividend cut and half-yearly profits setback. Henry Wigfall came on offer at 178p, down 7, but Baker Electronics rallied 2 to 37p. The leaders retreated by as much as 5 after the Budget proposals but still closed firmer for choice. Plessey were 4 up at 312p, after 316p, and Racal 5 better at 348p. Thorn EMI were 2 dearer at 300p, after 304p, and GEC a similar amount up at 637p, after 642p.

Tubes stood out in Engineerings with a rise of 8 to 204p on hopes that the final dividend will be maintained when the annual results are disclosed today. GKN, preliminary figures due next Wednesday, closed a penny harder at 141p, after 142p. John Brown ended a like amount dearer at 71½p. Elsewhere, Manganese Bronze fell 5 to 26p on the poor interim results. Burgess Products, on the other hand, found support at 50p, up 5, and Haden Carrier put on 4 afresh to 216p after renewed demand in a thin market.

Robertson Foods shed 6 to 150p following the formal offer document from Avana, 8 cheaper at 210p. Other Foods trended easier in the late dealings, Tate and Lyle closing 2 cheaper at 172p. Linfood shed 2 to 130p after the Board changes, but Argyll attracted speculative support and gained that much to 117p. Nurdin and Peacock revived 4 to 226p and Hazlewoods gained 3 for a two-day rise of 9 to 166p, the latter in a thin market.

Buying ahead of tomorrow's preliminary results helped BTR close 10 up at 398p, after 402p. Elsewhere in miscellaneous industrials, J. Hewitt encountered renewed buying interest and finished 6 higher at 59p, while Booker McConnell put on 3 to 57p. FMA lost 5 to 28p on the proposed £1.1m rights issue and reconstruction plans, while lower far-eastern influences clipped 11 from Hutchison Whampoa at 120p and 9 from Jardine Matheson at 167p. The leaders were marked a couple of pence lower after the Budget but the closing trend was mixed. Glaxo lost 4 at 278p but Rank Organisation finished that much dearer at 176p. Turner and Newall held firm at 75p awaiting today's preliminary results.

Motor Distributors trended firmer where altered. Lex Service, helped by call option business, picked up 3 at 100p, while T. C. Harrison rose a like amount to 60p. Early gains among Components were often erased by the close and Lucas ended a net penny cheaper at 177p.

Among Publishing issues, Link House firmed 4 to 230p following the interim dividend increase. Gordon and Gotch gave up 5 more to 130p, but William Collins, annual results expected today, added 3 at 143p.

Properties were quietly firm. Land Securities closed 2 dearer at 399p and Stock Conversions 5 up at 340p, while Samuel, 125p, and Slough Estates, 153p, both hardened a couple of pence. Elsewhere, Rosehaugh rose 7 to a 1980/81 peak of 289p and renewed, speculative demand in a thin market lifted Cardiff Properties 15 to 110p.

Oils easier

The introduction of a new Supplementary Petroleum Duty caused late dullness in Oils and early gains were mostly eroded and sometimes replaced by net falls. British Petroleum closed 2 cheaper on balance at 400p, after 404p, while Shell finished 8 down at 402p, after 412p; both companies are due to announce preliminary figures tomorrow. Ultramar, annual results today, touched 503p before slipping back to close 2 dearer on balance at 497p. Tricentrol ended 6 down at 286p, after 294p and Lasmo only 5 up at 615p, after 620p.

Elsewhere, NCC Energy, a strong market over the last few days following the approach from UNC Resources of the U.S., attracted further speculative interest and touched 121p before settling 4 higher on balance at 118p.

News of the substantial increase in excise duty had little impact on Tobaccos which shed small early gains to close around the overnight positions.

Malaysia Rubber again provided an outstanding firm spot in otherwise subdued Plantations, rising 8 for a two-day gain of 21 to 191p.

Golds up again

Mining markets made good progress in the wake of the $8 rise in the bullion price to $485.50 an ounce.

South African Golds moved ahead for the third successive trading day as an initial mark-up was followed by light buying interest from Johannesburg and London.

Closing levels were a shade below the day's best, however, owing to American profit-taking in the after-hours trade. The Gold Mines index showed a 10.3 gain at 329.4.

In the heavyweights Winkelhaak rose ¾ to £13¼ and St. Helena a point to £18½ ahead of the dividend declarations due on Friday, while President Brand added a half-point to a 1980/1 high of £18¼. In medium-priced stocks, Harmony were 13 better at 835p; the final dividend is expected tomorrow.

South African Financials showed De Beers 2 harder in front of the 1980 results. Gencor advanced 50 to 850p and "Amgold" ¼ to £40, the latter's full-year figures are due tomorrow.

The recent upturn in precious metal prices coupled with renewed strength in overnight Sydney and Melbourne markets prompted good gains in Australians.

Golds were prominent with Poseidon 16 firmer at 238p following the increased half-year profits, GMK 15 up at 335p and North Kalgurli 4 better at 82p.

In the leaders MIM Holdings gained 7 to 210p, but EZ Industries fell 5 to 265p following news of the proposed A$60m rights issue.

The terms of the merger between Gold Fields Australia and Renison, Assoc. Minerals Consolidated and Mount Lyell, left Renison 50 higher at 505p and Assoc. Minerals 20 better at 122p. Gold Fields Australia held steady at 400p and Mount Lyell eased a penny to 94p.

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (38)

BRITISH FUNDS (2)
Exchqr. 8¼pc 1981 Treas 12pc 1987
AMERICANS (2)
TRW Transamerica
BUILDINGS (3)
Countryside Ward Hold.
Galliford Brindley
CHEMICALS (1)
Novo Inds. A/S B
ELECTRICALS (2)
Crystalate Sony
ENGINEERING (2)
Ash & Lacy Birmingham Pallet
FOODS (2)
Cullen's Glass Glover
INDUSTRIALS (7)
C. H. Industrials Hewitt (J.)
Elec'olux B Provincial
Erskine House Smiths Inds.
Granada A
LEISURE (1)
Samuelson
MOTORS (1)
Lex Service
PAPER (1)
Watmoughs
PROPERTY (1)
Rosehaugh
TRUSTS (6)
Aust. & Int. Lake View Inv.
Crescent Japan New Par
Greenfriar Inv. Stert Finance
OILS (1)
NCC Energy
OVERSEAS TRADERS (1)
Boustead
RUBBERS (1)
Kulim
MINES (3)
President Brand Rand London
Patino

NEW LOWS (11)

CHEMICALS (2)
Coates Bros. Coates Bros. A N-V
ELECTRICALS (3)
Dale Electric Vitatron N-V
Normand Elec.
INDUSTRIALS (1)
Nolton
MOTORS (2)
Brown Bros. Woodhead (J.)
Delight
PAPER (1)
Oxley Print.
MINES (1)
New Wit.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	72	1	22
Corpns. Dom. and Foreign Bonds	10	—	55
Industrials	230	217	923
Financial and Prop.	116	55	322
Oils	28	19	28
Plantations	4	3	13
Mines	82	12	71
Others	48	46	61
Totals	590	353	1,475

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Barclays Bank	380	−10	Plessey	312	+ 4
Bowater	199	+ 2	Sedgwick	121	− 9
Cons. Gold	443	+13	Swire Pac. A	110	− 3
Lucas Inds.	177	− 1	Tube Invs.	204	+ 8
NCC Energy	118	+ 4	Ultramar	497	+ 2
NatWest Bank	345	− 5	Unilever	480	+ 2

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Mon.'s closing price pence	Day's change	Stock	No. of price changes	Mon.'s closing price pence	Day's change
NCC Energy	12	114	− 4	ICI	10	246	+ 2
Amax	11	125½	+ 8½	Imperial Group	10	73	+ 2
BP	11	402	−12	Shell Trans.	10	410	− 8
Channel Tunnel	11	143	−27	GEC	9	635	− 5
De Beers Defd.	11	374	+12	Plessey	9	308	− 2
Barclays Bank	10	390	− 8	Royal Ins.	9	372	− 3
Glaxo	10	282	− 2	Unilever	9	478	− 5

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar. 9	Mar. 20	June 11	June 22
Mar. 23	Apr. 3	June 25	July 6
Apr. 6	Apr. 17	July 9	July 20

For rate indications see end of Share Information Service

Call options were taken out in Fisons, Marks and Spencer, FNFC, Brent Walker, Burmah, Guinness, Intervision, Bardsey, North Kalgurli, Montague L. Meyer, Cope Allman, Beechams, Lucas, Courtaulds, Howard Machinery, GKN, ICI, Basic Resources, Lex Service, Dunlop, Debenhams Plessey, Australian Consolidated Minerals, Turner and Newall and British Land. No puts were reported, but doubles were arranged in Canadian Pacific Minerals, Charterhall and BP.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

FINANCIAL TIMES STOCK INDICES

HIGHS AND LOWS

S.E. ACTIVITY

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/7/80)	63.85 (7/3/80)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7/80)	64.70 (10/3/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11/80)	406.9 (3/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	559.9 (22/9/80)	265.5 (18/3/80)	558.9 (22/9/80)	43.5 (26/10/71)

Daily Gilt Edged Bargains	304.8
Equities Bargains	126.95
Value	217.4
5-day Avrge. Gilt Edged Bargains	254.9
Equities Bargains	127.4
Value	277.4

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey.

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296-5941

Abbey Amer. Gth. Tst.	58.5	62.9	-0.8	2.31
Abbey Capital	45.4	49.1	+0.2	4.99
Abbey General	54.7	59.1	+0.4	5.20
Abbey Gilt & F.I. Tst.	104.4	109.9xd	+0.6	11.92
Abbey Income	35.3	38.1	+0.1	9.22
Abbey W'Wide Bd Tst.	95.1	100.6	-0.6	6.46
Abbey Inv. Tst. Fd.	50.1	54.2	.....	4.69
Equitas Prog. Tst.	79.9	86.4	+0.5	4.73

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	86.2	90.7xd	.....	12.75

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	87.5	93.6xd	+0.3	5.98
Brit. Inds. Fund	75.9	81.2	+0.2	6.28
Growth & Income	49.8	53.3	+0.2	5.07
Elect. & Ind. Dev.	44.2	47.3	+0.2	5.29
Allied Capital	95.2	101.9	+0.2	4.51
Hambro Fund	130.7	139.8	+0.6	6.19
Hambro Acc. Fund	179.3	191.9	+0.8	4.74

Income Funds

High Yield Fd.	63.4	67.8xd	.....	8.85
High Income	81.5	87.2xd	-0.6	7.42
Equity Income Fd.	44.8	47.9	+0.1	7.64
Govt. Secs.	25.6	26.3	+0.2	11.79

International Funds

International	34.3	36.7xd	.....	2.18
Japan Fund	24.9	26.6	-0.2	0.24
Pacific Fund	66.5	71.2	-0.4	1.15
Secs. C. America	75.0	80.3	-0.3	1.99

Specialist Funds

Smaller Co.'s Fd.	56.0	59.9	.....	4.34
2nd Smlr. Co's Fd.	67.4	72.1xd	.....	4.16
Recovery Sits.	135.7	145.2	.....	5.23
Met. Min. & C'dty.	67.3	72.0	+0.2	5.28
Overseas Earnings	67.6	72.3	+0.4	5.10

Exempt Funds

Income Exempt	48.2	51.7	+0.1	8.22
Far East Exempt	70.1	72.9	-0.3	1.63
Smaller Co. Exempt	88.6	93.0	.....	4.30

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	41.1	44.3	-0.5	0.56
Cres. Internat'l.	78.6	84.8	-0.1	1.34
Cres. High. Dist.	44.0	47.5	+0.1	10.00
Cres. Reserves	49.1	53.0xd	+0.2	3.54
Cres. Tokyo	32.7	35.3	+0.1	0.99

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.1	25.9	.....	10.78

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb. 27	237.8	253.6	.....	5.21

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.5	20.4	.....	6.93
Gt. Winchester O'seas	27.6	30.6	.....	3.47

For Emson and Dudley see Robert Fraser Tst. Mngrs.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	88.3	92.9	+0.3	4.66

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	35.3	38.0	.....	0.72
Amer. Spec. Sits. (z)	26.5	28.5	+0.4	0.82
Gilt + Fixed Int.	25.1	26.5	+0.2	11.96
Growth + Income	31.3	33.7	+0.1	7.10
Maximum Inc. Eq. Tst.	26.5	28.5xd	.....	8.89
Special Sits.	38.6	41.6	+0.3	1.88

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	38.1	41.0	.....	2.15
Accum. Units	47.2	50.8	.....	2.15
J. Finlay High Income	36.2	38.9	.....	9.85
Finlay Wld. Energy	18.1	19.4	-0.1	1.73
Accum. Units	23.2	25.0	-0.1	1.73
J. Finlay Fd.In.Tst.	37.8	40.6	.....	5.01
Accum. Units	47.8	51.4	.....	5.01

Prices on Mar. 4. Next dealing Mar. 11.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	75.6	80.8	-1.0	0.82
Am. T'around	71.4	76.2	-0.6	1.56
Capital Tst.	60.2	64.2	-0.2	5.20

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	245.6	258.5	.....	4.66

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Pro. Fund Feb. 28	148.70	+1.45	6.72
Wider Fund Feb. 28	265.60	+13.70	5.14
Narrower Fd. Feb. 28	76.85	+0.10	13.16

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
See also Stock Exchange Dealings.

American	64.0	68.8xd	.....	2.05
(Accum. Units)	68.7	73.9	-0.1	2.05
American Recovery	69.5	74.4	-0.5	1.74
(Accum. Units)	71.5	76.5	-0.5	1.74
Australasian	108.8	116.4xd	+2.5	0.77
(Accum. Units)	113.9	121.9	+2.6	0.77
Commodity	142.5	152.5xd	+0.9	3.04
(Accum. Units)	167.6	179.3	+1.0	3.04
Compound Growth	184.9	197.8	-0.5	3.10
Conversion Growth	115.5	123.6	+1.1	2.40
Conversion Inc.	69.3	74.1xd	-0.4	10.64
Dividend	128.5	138.8	-0.9	9.30
(Accum. Units)	286.0	308.9	-2.0	9.30
European	60.2	64.4	+0.4	4.07
(Accum. Units)	66.0	70.6	+0.5	4.07
Extra Yield	80.1	86.5xd	-0.3	10.13
(Accum. Units)	130.3	140.7	-0.4	10.13
Far Eastern	117.9	126.2xd	-0.2	1.03
(Accum. Units)	135.0	144.4	-0.2	1.03
Fund of Inv. Tsts.	94.9	102.5	-0.7	4.60
(Accum. Units)	126.9	137.1	-0.9	4.60
General	221.3	237.9	-1.0	6.22
(Accum. Units)	383.5	412.3	[illegible]	6.22
Gilt	48.1	50.5xd	.....	13.08
(Accum. Units)	48.9	51.3	.....	13.08
High Income	106.3	113.7	-0.4	10.14
(Accum. Units)	211.3	226.1	-0.9	10.14
Japan	170.3	182.2	-0.1	0.80
(Accum. Units)	178.8	191.3	-0.1	0.80
Magnum	342.4	362.9xd	+0.5	5.99
(Accum. Units)	473.5	501.9	+0.8	5.99
Midland	159.0	170.1	-0.9	10.04
(Accum. Units)	304.6	325.9	-1.8	10.04
Recovery	126.5	135.4	-0.7	5.89
(Accum. Units)	141.5	151.4	-0.8	5.89
Second Gen.	251.7	271.8	-0.7	4.98
(Accum. Units)	420.2	453.8	-1.2	4.98
Smaller Companies	256.7	274.7xd	+1.8	4.45

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	165.5	177.9	-0.3	2.78
(Accum. Units)	212.4	228.3	-0.5	2.78
Income Fnd.	216.3	232.5	+0.3	8.15
(Accum. Units)	373.2	401.2	+0.6	8.15
Gen.	121.7	130.8	-0.2	4.08
(Accum. Units)	164.8	177.2	-0.2	4.08
Europe	22.1	23.7	.....	3.12
(Accum. Units)	25.9	27.8	.....	3.12
Smaller Co.'s	146.5	157.5	+0.2	3.23
American	48.0	51.6	-0.1	2.00
(Accum. Units)	48.0	51.6	-0.1	2.00
Tokyo	47.5	51.0	+0.2	0.25
(Accum. Units)	47.5	51.0	+0.2	0.25
Gilt & Fixed	48.0	50.5	+0.1	12.00
(Accum. Units)	48.0	50.5	+0.1	—
*Pn. & Ch. Fd. Feb. 17	225.6	237.4xd	.....	4.84
*Recovery Mar. 3	286.1	301.1	.....	4.11
*Spec. Ex. Mar. 3	453.5	477.3	.....	2.11
*European Exempt	95.0	100.0	.....	3.50

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	94.0	101.5	+0.2	5.46

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	62.0	66.0	-0.5	5.17
Accum. Units	79.0	84.0	-0.7	5.17

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.

Security Selection Ltd.
Regis Hse., King William St., EC4. 01-623 4951.

Unvl Gth Tst Acc	33.5	35.7	.....	8.52
Unvl Gth Tst Inc.	24.9	26.5	.....	8.52

SIMCO Money Funds
66, Cannon Street, EC4N 6AE 01-236 1425

SIMCO Call Fund†	100.0	—	.....	17.13
SIMCO 7-Day Fund†	100.0	—	.....	15.14

†Unauthorised—Cash Deposit Funds.

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271
†Stewart American Fund

Standard Units	86.9	92.2	.....	1.84
Accum. Units	94.6	100.4	.....	—

INSURANCE PROPERTY BONDS

NPI Pensions Management Ltd.
48 Gracechurch St., EC3P 3HH. 01-623 4200

Managed Fund	233.4	243.1	.....	—

Prices March 2. Next dealing April 1.

New Zealand Ins. Co. (UK) Ltd.♥
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key Inv. Plan	247.6	255.3	.....	—
UK Equity	98.7	104.0	-0.4	—
American	140.8	148.2	-0.5	—
Pacific	215.0	226.4	+0.2	—
Property	112.4	118.3	.....	—
Gilt	124.5	131.1	+0.4	—
High Inc. Equity	101.0	106.4	-0.9	—
High Inc. Fxd. Int.	98.4	103.6	+0.3	—
Deposit	117.6	123.8	.....	—

Norwich Union Insurance Group♥
PO Box 4, Norwich NR1 3NG. 0603 22200

Managed Fund	276.0	290.5	+0.8	—
Equity Fund	455.6	479.6	+1.4	—
Property Fund	185.4	195.1	.....	—
Fixed Int. Fund	174.8	184.0	+1.0	—
Deposit Fund	133.8	140.8	.....	—
Nor. Units Feb. 15		260.7	.....	—

Phoenix Assurance Co. Ltd.
4-5 King William St., EC4P 4HR. 01-626 9876

Wealth Ass.	155.0	163.2	.....	—
Eb'r. Ph.Eq.E.	115.6	121.9	.....	—

Planned Savings Group
25 Worship St., London, EC2A 2AB. 01-920 0661

1st Managed	86.1	91.2	.....	—
1st Fixed Interest	64.8	68.7	.....	—
4th Managed	54.4	57.7	.....	—
5th Managed	58.5	62.0	.....	—
Pension Managed	55.98	59.34	.....	—
Family Managed	142.4	145.3	.....	—
Do. B Managed	77.6	79.1	.....	—
Do. C Britannia	58.6	59.8	.....	—
Do. D Fxd. Int.	93.7	95.6	.....	—
Family Capital Fund	75.8	77.3	.....	—

Premium Life Assurance Co. Ltd.
Eastchester Hse., Haywards Heath 0444 58721

Balanced	101.0	107.0	.....	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

Man. Fund Inc.	128.1	134.8	.....	—
Man. Fund Cap.	124.7	135.3	.....	—
Man. Fund Acc.	170.8	179.8	.....	—
Man. Fd. Init.	133.1	140.1	.....	—
Prop. Fund Inc.	138.0	145.3	+2.0	—
Prop. Fd. Cap.	128.7	135.5	+0.5	—
Prop. Fd. Acc.	189.4	199.4	+1.8	—
Prop. Fd. Init.	136.7	143.9	-0.1	—
Prop. Fd. Inv.	141.0	—	+2.0	—
Fixed Int. Fd. Inc.	121.0	127.4	.....	—
Fixed Int. Fd. Cap.	112.9	118.8	.....	—
Fixed Int. Fd. Acc.	121.0	127.4	.....	—
Fixed Int. Fd. Inv.	120.5	126.8	.....	—
Dep. Fd. Inc.	108.7	114.4	.....	—
Dep. Fd. Acc.	108.7	114.4	.....	—
Dep. Fd. Init.	108.1	113.8	.....	—
U.K. Equity Fd. Inc.	143.7	150.6	.....	—
U.K. Equity Fd. Cap.	133.4	140.4	.....	—
U.K. Equity Fd. Acc.	143.1	150.6	.....	—
U.K. Equity Fd. Init.	142.4	149.9	.....	—
Int. Equity Fd. Inc.	125.6	132.2	.....	—
Int. Equity Fd. Cap.	117.0	123.2	.....	—
Int. Equity Fd. Acc.	125.6	132.2	.....	—
Int. Equity Fd. Ini.	124.9	131.5	.....	—
Ret. Plan Ac. Pen.	130.9	140.7	.....	—
Ret. Plan Cap. Pen.	97.8	105.1	.....	—
Man. Pen. Fd. Acc.	250.8	264.0	.....	—
Man. Pen. Fd. Cap.	209.4	220.4	.....	—
Gilt Pen. Fd. Acc.	166.0	174.7	.....	—
Gilt Pen Fd. Cap.	142.6	150.1	.....	—
Prop. Pen. Fd. Acc.	222.4	234.1	+2.7	—
Prop. Pen. Fd. Cap.	202.4	213.0	+2.0	—
Guar. Pen. Fd. Acc.	133.2	140.2	.....	—
Guar. Pen. Fd. Cap.	121.8	128.2	.....	—

Transinternational Life Ins. Co. Ltd.
2 Bream's Bldgs., EC4A 1NU. 01-405 6497

♥Series 2 Man. Fd.	125.3	131.8	.....	—
♥Series 2 Equity Fd.	131.1	137.9	.....	—
♥Series 2 Prop. Fd.	128.9	135.6	.....	—
♥Series 2 Fixed Int Fd.	112.3	118.2	.....	—
♥Series 2 Money Fd.	110.2	115.9	.....	—
♥Series 2 O'seas Fd.	104.6	110.0	.....	—
♥Tulip Invest. Fd.	208.1	219.1	.....	—
♥Tulip Managed Fd.	154.2	162.3	.....	—

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

1980-81 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
488	350	Camellia Invs. 10p	415	......	4.0	3.2	1.4
146	93	Can. & Foreign	142	......	†5.1	1.1	5.1
167	110	Capital & Nat.	163	......	†6.75	1.0	5.9
159	105	Do. "B"	152	......	—	—	—
152	83	Cardinal Dfd.	137xd	......	4.5	1.1	4.7
92	62	Cedar Inv	88	+½	H4.6	1.2	7.5
260	154	Chan'l Is. Inc. £1	260	......	Q37.5%	ϕ	16.9
240	163	Do. Cap.	213	......	—	—	—
73½	48½	Charter Trust	70	−1	3.2	1.1	6.5
155	98	Child Health £1	155	......	—	—	—
39	27	City & Com. Inc.	39	......	†2.52	1.0	9.2
243	98	Do. Cap. (£1)	298	+4	—	—	—
75	50	City & For. Inv.	75xd	......	0.7	ϕ	1.3
111	71	City of Oxford	104	......	s5.0	1.1	6.9
128	79	Claverhouse 50p	124	......	6.4	1.0	7.4
11	5¼	Clifton Invs 10p	11#	......	—	—	—
350	185	Colonial Secs. Dfd.	325xd	......	♦N15.0	1.1	6.6
290	179	Continent'l & Ind.	268	−1	†s10.5	0.9	5.6
156	100	Continent'l Union	149	......	6.0	0.9	5.8
270	123	Cres'nt Japan 50p	270xd	+1	0.95	ϕ	0.5
127	84	Crossfriars	115	......	s5.7	1.1	7.2
50	38	Danae (Inc.) (50p)	40	+1	3.85	1.0	13.8
9¼	4¾	Do. (Cap.) 10p	4¾	......	—	—	—
284	211	Derby Tst. Inc. £1	275	......	20.26	1.0	10.5
323	142	Do. Cap. 50p	314	+2	—	—	—
250	159	Dominion & Gen.	246	......	10.4	1.0	6.1
168	100	Drayton Com'cl.	162xd	−1	7.0	1.1	6.2
177	108	Do. Cons.	173	−1	7.6	1.2	6.3
75½	37	Do. Far Eastern.	75xd	......	1.24	1.5	2.4
226	145	Do. Premier	220xd	+1	10.2	1.1	6.6
74½	60	Dualvest Inc. 50p.	74½	......	†s6.14	1.1	11.8
434	215	Do. Capital £1	428	+2	—	—	—
86	54	Dundee & Lon.	85	......	3.85	0.9	6.5
91	49½	Edinburgh Am. Tst.	89xd	+1	0.8	1.1	1.3
70	37½	Edinburgh Inv.	68	+1	t1.92	1.1	4.1
56½	37½	Electra Inv. Tst.	54	......	t2.55	1.2	6.7
116	66	Elect. & Gen.	115	......	†2.3	1.4	2.9
119	76	Eng. & Internat'l	116	......	5.0	1.2	6.2
94½	65½	Eng. & N.Y. Trust	87xd	......	4.05	ϕ	6.6
72	35½	Eng. & Scot. Inv.	65½xd	......	1.8	ϕ	3.9
30	22	Eng. Nat. Inv. Prefd.	27	......	2.23	1.5	11.8
79	66	Eng. Nat. Inv. Defd.	73	......	4.02	0.8	7.9

Finance, Land, etc.

FINANCE, LAND—Continued

OIL AND GAS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

1980-81 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
97	40	Barymin	47	......	—	—	—
17	12	Burma Mines 10p	14½	......	0.62	1.1	6.2
445	53	Colby Res. Corp.	210	+15	—	—	—
502	200	Cons. Murch. 10c.	230	......	t030c	1.8	7.5
180	75	††Hemerdon 10c.	85	......	—	—	—
225	36	Highwood Res.	145	−10	—	—	—
585	300	Northgate C$1	300	......	—	—	—
*486	322	R.T.Z.	440	+10	t16.0	3.2	5.2
£115	£93½	Do.9½%Cv.Ln.'95-2000	£108	+2½	Q9½%	—	f9.4
143	91	††SPO Minerals 10p	140	......	—	—	—
58	26	Sabina Inds. C$1.	33	......	—	—	—
51	28	††SWCM 10p	29	+1	—	—	—
650	411	Tara Expln. $1	470	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......
Bertam	11½	......
Bdg'wtr. Est. 50p	549	−5
Craig & Rose £1	£11¼	......
Fife Forge	41	......
Finlay Pkg. 5p	20	......
Graig Ship. £1	£20	......
Higsons Brew	67	......
Holt (Jos) 25p	400	......
I.O.M. Stm. £1	160xd	......
Pearce (C. H.)	810	......
Peel Mills	82½	......
Sheff. Refrshmt.	99	......
Sindall (Wm.)	135	......

IRISH

Conv. 9% '80/82	£94	......
Nat. 9¾% 84/89	£76	+⅜
Fin. 13% 97/02	£80	+⅜
Alliance Gas	53	+1
Arnott	235	......
Carroll (P.J.)	83	......
Concrete Prods.	94	......
Heiton (Hldgs.)	30xd	......
Ins. Corp.	395	......
Irish Ropes	40	......
Jacob	40	......
T.M.G.	24	......
Unidare	82xd	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	I.C.I.	28	Utd. Drapery	6½
BOC Intl.	9	"Imps"	7	Vickers	14
B.S.R.	4½	I.C.L.	9	Woolworths	5
Babcock	11	Inveresk	3	**Property**	
Barclays Bank	40	Ladbroke	24	Brit. Land	8
Beecham	15	Legal & Gen.	20	Cap. Counties	11
Blue Circle	30	Lex Service	9	Land Secs.	35
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	20	"Lofs"	4	Peachey	8
B.A.T.	25	London Brick	6	Samuel Props.	15
Brown (J.)	6½	Lucas Inds.	20	Town & City	2¼
Burton	10	"Mams"	20	**Oils**	
Cadburys	6	Mrks. & Spncr.	9	Brit. Petroleum	36
Courtaulds	6	Midland Bank	32	Burmah Oil	19
Debenhams	8	N.E.I.	7	Charterhall	11
Distillers	17	Nat. West. Bank	32	KCA	22
Dunlop	7½	P & O Dfd.	12	Premier	10
Eagle Star	22	Plessey	25	Shell	40
F.N.F.C.	3½	Racal Elect.	32	Tricentrol	34
Gen. Accident	30	R.H.M.	4	Ultramar	48
Gen. Electric	50	Rank Org.	16	**Mines**	
Glaxo	22	Reed Intnl.	18	Charter Cons.	20
Grand Met.	14	Sears	4½	Cons. Gold	45
G.U.S. 'A'	40	Tesco	5½	Lonrho	10
Guardian	32	Thorn	28	Rio T. Zinc	45
G.K.N.	16	Trust Houses	18		
Hawker Sidd	20	Tube Invest.	18		
House of Fraser	15	Unilever	50		
		U.D.T.	4½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 42

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security.

FINANCIAL TIMES

Wednesday March 11 1981

News Summary

GENERAL

U.S. yes to NATO talks

The U.S., deferring to its Western allies, will call an early meeting of NATO to discuss future negotiations with the Soviet Union on limiting deployment of nuclear weapons in Europe.

This commitment was contained in a Washington statement by Secretary of State Alexander Haig and West German Foreign Minister Hans-Dietrich Genscher.

Hijack deadline

The three hijackers of the Pakistan airliner with more than 100 men passengers aboard, which has been at Damascus since Sunday, have set 2 pm Syrian time (midday GMT) for Pakistan's military rulers to release 45 political prisoners.

They threaten to blow up the aircraft. Previously they had sought the release of 92. Syria's chief negotiator, Brig. Gen. Mohammed Kholi is hopeful a compromise will be reached.

Poles defiant

Workers in Lodz, Poland, went ahead with a one-hour strike, despite calls for patience from Solidarity union leader Lech Walesa, who last night had his first talks with new Premier Gen. Jaruzelski.

Costly amender

Italian Euro-MP Marco Pannella has put down 600 amendments to the European Parliament rules of procedure — at an estimated cost to the EEC of £212,000. Page 2

Conteh fined £100

Former world lightheavyweight boxing champion John Conteh, who threw a waiter across two tables at his club, was fined £100 and ordered to pay £50 compensation at Marylebone Court.

Floods hit West

Many parts of Britain were flooded after more than a day of rain. The West was worst hit. Five Devon rivers overflowed, and the rail line to Exete was cut. More rain is forecast.

BUSINESS

Gold up $8; gilts improve

● GOLD rose $8 in London to $485.5. Page 42

● GILTS maintained Monday's recovery. The Government Securities index closed 0.14 higher at 68.75. Page 33

● EQUITIES wilted after a firm start. The FT 30-share index was up just 0.8 at 484.3 after reaching a 4.8 gain at 3 pm. Page 33

● STERLING rose to $2.2285 ($2.2140) and DM 4.6850 (DM 4.68), but fell to FFr 11.0350 (FFr 11.0525). Its trade-weighted index fell to 98.6 (99.1). Page 42

● DOLLAR lost ground in London, falling to DM 2.1050 (DM 2.1125) and SwFr 1.9210 (SwFr 1.9340). It firmed slightly to Y206.75 (Y206) and its trade-weighted index was down at 99.6 (100.3). Page 42

● WALL STREET was down 1.66 at 974.76 near the close. Page 34

● FORD and union officials agreed to talks on improving efficiency after foremen staged a 24-hour strike at Dagenham over company plans to abolish the grade of general foreman. Earlier story, Page 8

● JAPAN is expected to allow its banks gerater leeway to lend both dollars and yen abroad from next month. Page 30

● HONG KONG will resist British attempts to secure tighter restraints on low-cost textile and clothing imports at the GATT Multi-Fibre Arrangement negotiations later this year. Page 5

● EEC is expected to agree on more links with Taiwan, but the move is likely to be opposed by China. Page 3

● BOFORS, Swedish armaments and chemicals group, raised earnings last year by almost 43 per cent to SKr 251m (£24.5m). Page 31

● FMA HOLDINGS, furniture manufacturer, proposes to reduce the par value of its share caiptal and to raise £1m in a rights issue. It reported a pre-tax loss of £681,000 in the half-year to end September 1980, against £396,000 profit. Page 26

Key Civil Service groups act to delay Howe plans

BY PHILIP BASSETT, LABOUR STAFF

Strategically placed groups of civil servants stopped work yesterday in an attempt to delay implementing some Budget proposals.

The impact of their action was not clear last night. Duty changes at ports and airports appeared likely to be most quickly affected.

This followed a mid-afternoon walkout by four Customs and Excise computer operators.

They closed the computer which transmits information on the duty changes made in the Budget to visual display units at air and sea ports.

Port staff had to rely either on manually transmitted information or on public broadcasts, since the normal alternative telephone link to the Southend centre was replaced with a recorded message saying the computer was shut because of industrial action.

Excise staff in centres including Bristol, Edinburgh, Aberdeen, Northampton, Portsmouth and London walked out during the speech. Jobs such as meter reading at oil installations — which usually follow the opening of envelopes continuing details of Budget changes were not done.

Civil service unions reported that at Bristol an attempt was made to open these instructions at 3 pm, half an hour before the start of the Chancellor's speech, but this led to an immediate walkout by excise staff there.

Some 40 staff in the Inland Revenue reprographic department at Somerset House in London stayed out on strike following Monday's one-day national stoppage. However, because of the few changes in direct PAYE taxation announced in the Budget, the action is likely to have little delaying effect.

The unions also announced yesterday further action designed to halt the movement of all cargo between Northern Ireland and the Irish Republic. About 150 staff on the land boundary stayed on strike yesterday. A further 130 staff at British ports servicing Ireland were also pulled out to prevent goods from being switched directly to the British mainland.

The action raises the possibility of smuggling across the border, and an increase in cross-border fraud. The action could frustrate efforts by Mr. Alistair Graham, deputy general secretary of the Civil and Public Services Association, who said no searches would be made of passengers travelling between the Irish Republic and mainland Britain.

Selective action at key computer and other centres also began yesterday. Some 45 staff at a secret monitoring base at Bude in Cornwall, part of the Government Communications Headquarters network, also stayed out on strike. The unions claim the action will disrupt the operations of the base, which monitors messages from Soviet spy satellites and radio broadcasts.

Norton Warburg deficiency

BY ROSEMARY BURR AND TIM DICKSON

FIVE OF the Norton Warburg group of investment services companies were put into liquidation yesterday after shareholders and creditors were told of an estimated £4.66m aggregate deficiency.

At packed and acrimonious meetings in the City details were revealed of how directors used clients' funds to finance ill fated investments in the U.S. and to repay other customers.

The Norton Warburg Group, best known for its pop star clientele, was formed in 1973 by Mr. Andrew Warburg, the chairman, and Mr. Melvin Perera, a chartered accountant.

Over the years it had handled millions of pounds of private investors' money.

It is not related to merchant bankers S. G. Warburg.

Mr. David Freeman, recently instructed solicitor for the Norton Warburg companies, described how Norton Warburg Investment Management has issued agreements to clients promising that their funds would be held in a separate account.

Discussing the statement of affairs which had been drawn up by accountants Robson Rhodes and Cork Gully, he said that by June 30, 1979, a total of £2.1m had been transferred from the investment clients' account to Norton Warburg Holdings.

He said interest charges were credited to investment clients at clearing bank 7 day deposit rates on the amount stated to be cash on deposit. But the money had been applied by Holdings to group investments which at that time were unable to pay the interest falling due.

These investments included Electrosound U.S., a sound recording equipment manufacturer 49.5 per cent owned by a company called Sparmanor. Mr. Warburg and other Norton Warburg directors were shareholders in Sparmanor.

Conservative MPs wait and see

BY RICHARD EVANS

CONSERVATIVE MPs, although deeply perturbed at the scale of the Government's economic and political difficulties, were prepared last night to give Sir Geoffrey Howe, Chancellor of the Exchequer, the support he needs to prove his strategy.

But there were signs that if economic trends were not more favourable by the end of the year, the Chancellor would face intense pressures to change course by introducing measures to reflate the economy.

The message at a private meeting of the backbench 1922 Committee after his 90-minute Budget statement was clear: the Government's survival depended on the success of Sir Geoffrey's strategy and the time scale for achieving success was now very short if the Government was to stand a chance of winning a general election in 1984.

The Opposition's reaction to the Budget was fiercely hostile. Mr. Michael Foot, Labour Leader, called it "a Budget of no hope introduced by a no-hope Chancellor."

He thought the measures could only inflict the most serious injury on the country for years to come.

There was no frontal attack on the Chancellor at the 1922 Committee meeting, but Conservative "wets" from the Left of the party were clearly shocked at the decisions to increased petrol and diesel duty by 20p a gallon, to peg personal tax allowances, and to limit the cut in Minimum Lending Rate to two points. They believed industry should have received more help.

Sir Geoffrey received plaudits from Right wing MPs for sticking courageously to his strategy despite widespread pressures to reflate prematurely.

Continued from Page 1

Markets adjust to tough stand

more of an impact on the equities sector.

Equities began a slide between 3 pm, when the FT Index was up 4.8 points, and the 3.30 close which wiped off four of those points.

Although after-hours dealing is traditionally high on Budget Day, jobbers were already beginning to mark down equities across the board.

Initially the market expected a short-term slide which would offset the gains made by equities since the beginning of February. Most then expected a dull period of some months with the possibility of a firm upturn towards the end of the year.

Mr. Nicholas Goodison,, chairman of the Stock Exchange, expressed widely shared disappointment that the Budget provided "very little help for established industry."

Overall manufacturing shares were being marked down by about 1p in the pound by leading jobbers.

Shares of consumer companies, oils and banks, however, felt an immediate sharp reaction to what was seen as a harsher than expected squeeze on these sectors.

Sir Jeremy Morse, chairman of Lloyds Bank, called the £400m windfall tax levied on bank profits "highly damaging." This, in turn was reflected in falls in banks' share prices three times as great as those in manufacturing industry generally.

Barclays and National Westminster immediately announced cuts in their base rates to match the 2 percentage point fall in MLR to 12 per cent and the market was anxiously awaiting news of whether the banks would attempt to widen their margins to preserve profit levels.

ILn the consumer sectors only whisky companies held up. There was relief that they were not being hit with as hig han excise increase as might have occurred.

Brewers, tobaccos, motors and petrol companies all dropped sharply.

Views were mixed over the prospects for stores. Brokers Hoare Govett thought the impact of a "fierce consumer squeeze" might be offset by increased consumer spending as savings ratios were reduced and felt that the stores sector had, in any case, been expecting a dull period.

Housebuilders' shares were initially marked up in reaction to the concession on stock relief and development land tax but consolidation of the trend awaited analysis of the mortgage prospects.

There were fears that consumer sectors and housebuilding might not get a boost from lower mortgages.

The ...building ...societies showed instant alarm at the Chancellor's encouragement of "Granny" bonds and his proposal for a new North Sea bond.

Mr. Norman Griggs, the movement's secretary general, warned that the attractions of other forms of savings might "upset" the societies' hope of the 1 per cent cut in mortgages which a 2 point drop in MLR might normally suggest.

Continued from Page 1

Howe to shift tax burden

further Cabinet discussions are likely about spending cuts this summer and autumn.

The "unsatisfactory" spending outlook, poor output prospects and downgrading of North Sea revenue projections means that there will be much less scope for tax cuts in 1982-83 and 1983-84 (just before an election) than was hoped a year ago. The implied scope for tax cuts would "do no more than offset the rise in the personal tax burden in the coming year."

These plans are intended to be consistent with the continued thrust of the medium-term financial strategy and the attainment of a 4-8 per cent target rate of growth of sterling M3, the broadly defined money supply, in 1983-84.

The Government has cast doubt on the usefulness of sterling M3 as a short-term indicator after the events of the last year, but it is being retained as the medium-term target.

The new immediate target is for a 6-10 per cent rate of increase over the 14 months to April, 1982, from the higher base after the 20 per cent rate of growth in the last 12 months.

However, it is still the Government's intention to consider clawing back some of the past year's excess growth of sterling M3 by permitting an undershoot as and when the opportunity arises. For 1981-82 the level of public sector borrowing is intended to be consistent with the monetary target and lower interest rates.

The only bright feature in the Budget documents is the forecast that, despite the rise in indirect taxes, the 12-month rate of retail price inflation should slow from 13 per cent now to 10 per cent by the end of this year and to 8 per cent by the middle of 1982.

The outlook for output is slightly bleaker than expected last November. Total output, as meausred by real Gross Domestic Product, is projected to decline by 2 per cent this year after a 2½ per cent drop in 1980.

The fall in ouutput should come to an end in the first half of this year but the subsequent recovery is likely to be rapid. Both consumer spending and exports are expected to fall. But by the first half of 1982 total output could be 1 per cent higher than a year earlier and this should help to limit the rise in unemployment.

Economic package detailed by Reagan

By Jurek Martin, U.S. Editor, in Washington

PRESIDENT Ronald Reagan yesterday sent to Congress the detailed economic package of tax and spending cuts outlined last month, which he argues will avert the economic calamity facing the U.S.

His proposals, if enacted, would result in budget savings of $55.9bn (£25.25bn) in the 1982 fiscal year which begins in October, and $6.4bn in the current fiscal year.

This is $13.8bn more than he proposed for 1982 in his first announcement last month and $2bn more for the existing year — to be achieved by $48.6bn in spending cuts next year and $7.3bn in additional revenues. These will come principally through the introduction of what are known as "user fees" on certain industries.

SEVERAL large U.S. banks cut prime lending rates from 18½ to 18 per cent. Page 4.

A 10 per cent a year cut in income taxes across the board is also proposed, costing the Government about $44bn in revenues in the 1982 fiscal year.

As previously outlined, his package commits the U.S. to substantially higher defence spending and deep cuts in many social programmes. Although actual defence outlays are only projected to rise by $4.4bn next year, the Pentagon's authority to spend mony, a more meaningful long-term guide, is set to rise by over $30bn.

Congressional reaction to date has generally been to support the President's efforts to cut spending on non-defence items, though perhaps by not quite as much as he wants. But there is much scepticism about the tax side of the package, which many Congressmen from both parties consider potentially inflationary.

Fiscal

Mr. Reagan's revised Budget projects a $45bn deficit in the 1982 fiscal year, compared with the $28bn projected by President Jimmy Carter in his last Budget handed down in January and estimated $55bn of the current year.

Mr. David Stockman, the Budget Director and architect of the package, said yesterday the savings for 1981-82, if extrapolated over the following five years, could produce a staggering $409bn in total budgetary savings.

Some $900m is to be allocated in security aid to selected countries in the Middle East and Central America. The package also earmarks $88m in the 1982 fiscal year for Polish debt rescheduling.

Weather

UK TODAY

Cloudy with rain but brighter later.

London, S.E. and N.E. England, Midlands
Drizzle at first. Max. 11C (52F).

S.W. and N.W. England, Wales, W. Scotland, N. Ireland
Showers with gales. Max. 12C (54F).

E. Scotland
Rain, drier later. Max. 7C (45F).

Outlook: Colder with showers.

WORLDWIDE

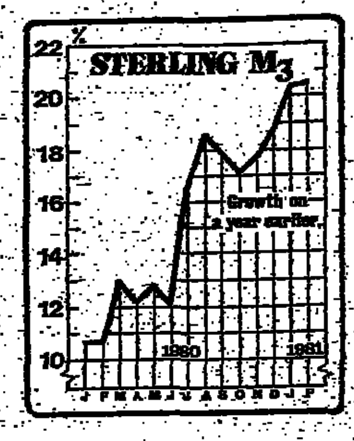
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	14	57	L.Ang.	-	—	—
Algiers	S	18	64	Luxmbg.	R	11	52
Amsdm.	R	10	50	Luxor	S	31	88
Athens	S	16	61	Madrid	F	17	63
Bahrain	S	22	72	Majorca	S	15	59
Barcina	C	14	57	Malaga	S	17	63
Beirut	S	21	70	Malta	S	18	64
Belfast	C	12	54	M'chstr.	C	12	54
Belgrd.	F	20	68	Melbne.	C	19	66
Berlin	S	8	46	Mex. C.		—	—
Biarritz	F	24	75	Miami		—	—
Bmghm.	C	13	55	Milan	S	16	61
Blackpl.	R	12	54	Montrl.		—	—
Bordx.	F	21	70	Moscow	C	2	36
Boulgn.	C	12	54	Munich	R	11	52
Bristol	R	13	55	Nairobi	C	27	81
Brussels	R	13	55	Naples	F	14	57
Budpst.	C	14	57	Nassau		—	—
Cairo	S	24	75	Nwcstl.	C	8	46
Cardiff	R	11	52	N.York		—	—
Cas'b'ca	S	30	86	Nice	C	13	55
Cape T.	S	27	81	Nicosia	F	20	68
Chicago		—	—	Oporto	S	23	73
Cologne	R	13	55	Oslo	S	5	41
Conhgn.	S	6	43	Paris	R	15	59
Corfu	S	18	64	Prague	R	7	45
Denver		—	—	Rykjvk.	R	2	36
Dublin	R	13	55	Rhodes	S	18	64
Dbrvnk.	S	16	61	Rio J'o		—	—
Ednbgh.	R	8	46	Riyadh	F	26	79
Faro	S	21	70	Rome	S	15	59
Florence	C	14	57	Salzbrg.	R	9	48
Frankft.	R	14	57	S'cisco		—	—
Funchal	F	22	72	S. Mritz		—	—
Geneva	C	15	59	Seoul	C	6	43
Gibrltr.	C	17	63	Singapr.	C	30	86
Gl'sg'w	R	7	45	S'tiago		—	—
G'msey	C	11	52	Stckhm.	S	3	37
Helsnki	Sn	−7	19	Strasbg.	C	15	59
H. Kong	C	20	68	Sydney	S	23	73
Innsbrk.	C	9	48	Tangier	S	24	75
Invrnss.	R	5	41	Tel Aviv	S	20	68
I.o.Man	C	9	48	Tenerife	S	30	86
Istanbul	S	9	48	Tokyo	C	10	50
Jeddah	S	30	86	T'r'nto.		—	—
Jersey	C	12	54	Tunis	S	19	66
Jo'burg	C	21	70	Vlencia	Fg	19	66
L. Pims.	S	27	81	Venice	C	8	46
Lisbon	S	21	70	Vienna	C	14	57
Locarno	S	14	57	Warsaw	F	5	41
London	C	14	57	Zurich	C	13	55

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sn—Snow.

THE LEX COLUMN

Footing the public sector bill

Index rose 0.8 to 484.3



Last year's Budget set out the Government's medium term strategy. This year's is the logical if chilling result of the failure to control a key element of that policy, public expenditure. In so far as it delivers numbers which are acceptable to the financial community, it will please some in the gilt-edged and foreign exchange markets. But the previously pampered consumer is now being asked to pay the price, while industry continues to be left shivering out in the cold.

Determination

As he was bound to, Sir Geoffrey Howe reaffirmed his determination to continue with the strategy. And his forecast of a public sector borrowing requirement of £10.5bn for 1981-82 is just about in touch with the original target, accepting all the excuses about the depth of the recession. But the money supply growth target of 7 to 11 per cent for 1980-81 has been missed by a wide margin, and in adopting the new 6 to 10 per cent target for next year he is incorporating a heavy dose of what is known in the jargon as base drift.

Lamely, the Red Book talks about clawing back some of the excess by "permitting an undershoot as and when the opportunity arises." Moreover the medium term path of the PSBR has also shifted upwards, eroding the safety margin—allowing future tax cuts—built into the original plan.

All this Government's early plans to attack the volume of public spending have foundered. The volume of spending in 1980-81 was projected a year ago to be down by some 0.7 per cent, but it now likely to be up by 1.9 per cent. A further very slight increase is now budgeted for 1981-82, but this depends upon factors like an estimated 2½ per cent favourable relative price effect for public sector pay levels. It is not at all clear that measures to tinker with the mechanism of public spending controls by going back to old-fashioned cash will be an effective enough answer.

The possibility that a further slippage in public spending will occur is one of the serious question marks over this Budget. The other danger—which is interlinked—is that the downward spiral in the economy at large could be given a further impetus.

Certainly the corporate sector is offered no more than a few tax crumbs—such as more generous than expected stock relief—rather than much more important concessions like a cut in the national insurance surcharge. The main benefit to companies, therefore, will be in the cut in interest rates, which at least has the merit of specifically helping the most highly borrowed.

The economic forecasts imply more of the same for industry. The Treasury expects that manufacturing output will only stabilise in the next 18 months at current very depressed levels, while destocking will continue apace, at least until the middle of this calendar year.

So there is nothing in this Budget to cheer up the equity market, which has anyway been looking expensive recently relative to gilt-edged. And several of the Chancellor's specific tax measures will impact seriously on some sectors.

Thus the 14p increase in the price of a packet of cigarettes is perhaps twice as severe as expected. Consumption has probably fallen by about 3 per cent already in the past year, and a price rise of a sixth is bound to accelerate the trend. It is possible that the price war in cigarettes—quiescent for the past few months—will sharpen up again as manufacturers seek volume to cover overheads.

Imps is a double victim here, being also hit on the brewing side. The beer duty has been pushed up by two-fifths, at a time when spending power in the lower-income groups will be squeezed by the other regressive tax meatures. Brewers will be very lucky to hold volume this year after the steep decline in 1980. The Scotch whisky distillers are also affected, but here a group like DCL is protected by the preponderance of export business—and the increase in duty on spirits is probably no larger than the market has been anticipating.

As for the banks, the £400m windfall tax is at the top end of the range of forecasts. Worst hit of the Big Four in terms of profits could be Midland, but in balance-sheet terms National Westminster could suffer more seriously, with a decline of around a tenth in its free capital ratio.

Some investors may now see any further fall in bank share prices as a buying opportunity. But first they have to consider the possibility that the clearers may try to recover some of the tax from shareholders by revising downwards the dividends they have just recommended.

While the equity market labours under such uncertainties, it is also now faced with the threat of direct competition from the Government, which has at last launched its long-discussed index-linked gilt-edged bond. There is a possibility that pension funds lacking healthy cash flow will be tempted to unload some of their duller equities to switch into the new stock.

Falling inflation

Inevitably, the Government is launching this at a time when inflation is falling—to 8 per cent over the next year, according to the Treasury—so that it may seem to be a less expensive form of finance than usual. It will be fascinating to see how far this institutions are prepared to bid up the price of the stock at the tender, given that the real return at par is a generous-looking 2 per cent. At any rate, it may now be possible to put some sort of price on public sector pension rights.

It looks as though the Government has baulked at paying, say, 15 per cent on long bonds, and its index-linked innovation could at last take the pressure off long gilts enough to ensure a substantial demand for the 1999 tap this morning at around 14 per cent. The market will hope there will not be another conventional long tap just around the corner.

On the borrowing projection, and allowing for the £3bn National Savings target, net sales of gilt-edged this year should decline significantly. Real returns in gilts are currently high, which could entice the foreigners again. Sterling is anyway likely to be resilient in the near term, partly because the cut in MLR is 2 rather than 3 per cent. For the moment inflation is being held back, but there are bound to be serious doubts as to whether the Government can hold the line nearer the next election when the strategy will have to be showing much better results.

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